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The Magazine of Wall Street

AND BUSINESS ANALYST

90 Broad Street

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THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

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CONTENTS

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With The Editors

A Millionth Per Cent Control

The Standard Oil group of companies as commonly thought of today have an outstanding capitalization in common stock of over 150 million shares—of which the founder and guiding spirit emeritus owned just one lonely share at the time of his death. Details of Mr. Rockefeller's estate recently made public show that he had disposed of all his Standard Oil holdings except a single share of Standard of California, thus putting himself in the odd position of having to ask for annual reports of his corporate progeny as a favor rather than as a right.

No one imagines that Mr. Rockefeller interested himself in the direction of the oil companies during the latter years of his life, but he had power if he cared to use it. Physically he owned less than a millionth of one per cent — seven ten millionths of one per cent more exactly —of the total stocks. In the weight of its influence, however, that share of Standard of California could have waged successful battle against ten thousand in other hands. Valued at $43.94, half way between the high of 44 and the low of 43⅞ on the day preceding his death, the certificate far transcended its apparent market worth.

Few men can found an oil empire; yet all of us could add some intangible value to our long-term investment holdings by seeing to it that our influence, however minute, pushes continually in the right direction. To many corporations the immediate present is crucial in policy-forming, as to labor relations, cooperation with Government, competitive dealings, dividends, new financing and a dozen other questions. Most managements will plan for the ultimate good of their company and stockholders, and they should be supported. The ones which take a short-sighted view, either to protect their own salaries or for any other reason, deserve an effective opposition, preferably composed of a large number of stockholders.

This is not a plea to become one of the "articulate" minority, although that may in some cases be the first logical step. What we really hope to see grow is the body of stockholders who are in no sense obstructionists, but are aware of developments in their companies and determined that the major ones shall be constructive in the largest possible sense. With this attitude, calculation of an infinitesimal stake in a large corporation should not be discouraging.

* * * IN THE NEXT ISSUE * * *

Outlook for the Railroads

Political Factors. By Ray Tucker

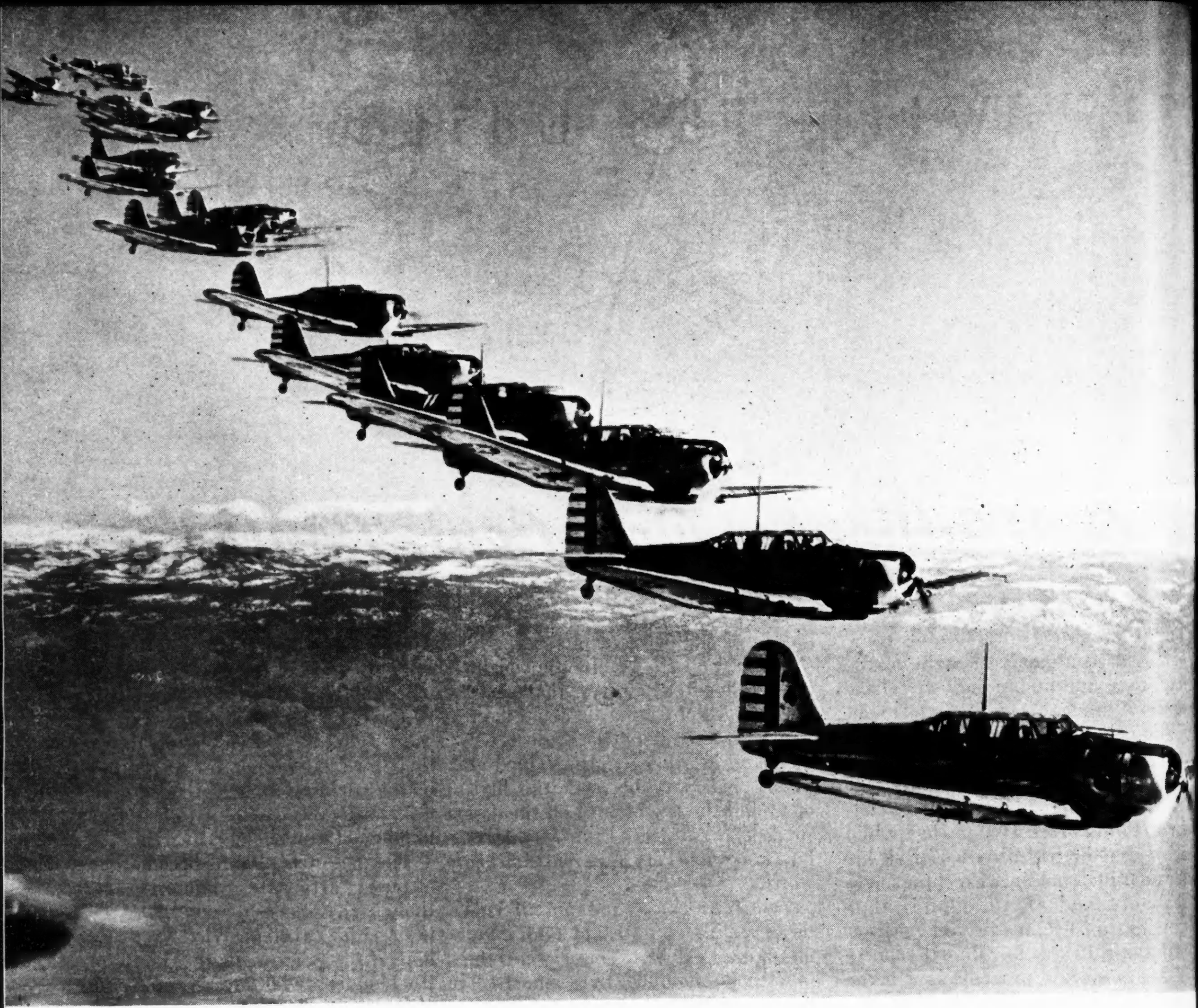
Earnings Prospect. By R. M. Martin

What Level of Industrial Activity Can We Expect?

By John D. C. Weldon

Beneficiaries of Re-Armament

By Munroe E. Marshall

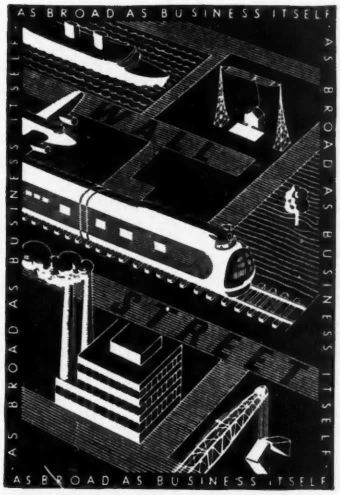


Wide World Photo

The production of enough new aircraft to bring the combined fleets of the army and navy to the proposed 12,000 units is a challenge to management in a young industry. It demands the development of facilities to turn out not only these ships, but facilities for the mass production of their successors. Our strongest second line of defense will be our ability to produce aircraft with the speed and efficiency with which we now turn out motor cars.

THE MAGAZINE OF WALL STREET

E. Kenneth Burger, *Managing Editor* : C. G. Wyckoff, *Publisher* : Laurence Stern, *Associate Editor*



The Trend of Events

FOR DEFENSE OR RECOVERY? . . . Under present world conditions there will be no important opposition to the Administration's proposed armament program. A vast majority of our people accept the principle that our defensive weapons—on sea, on land and in the air—must be strong enough not only to protect our home territory from any possible invasion but also to put the Monroe Doctrine beyond possibility of successful challenge by any other power or combination of powers. Thus far we are agreed—but it would be unfortunate if this program were accepted as an easy means of economic stimulation or as a clever political device by which to divert Congressional opposition to loose New Deal fiscal policies.

As a matter of fact, it will not be possible over the next year or two to increase present national defense expenditures, which amount to approximately $1,000,000,000, by more than $400,000,000 or $500,000,000 annually. Some qualified experts doubt that more than an added $300,000,000 can be effectively spent during the next year. Every mechanism of defense must go through a fairly lengthy blue-print stage.

With the Government now spending at the prodigious rate of $9,000,000,000 a year, an increase of $400,000,000 or $500,000,000 a year for armaments can not solve our economic problem or put more than a fraction of our unemployed back to work. However great our need for adequate means of national defense, it is not as great as our need for a normal, privately-financed recovery in the production and distribution of goods of every day, peacetime use. An enduring economic recovery under the capitalist system is the one vital reform that six years of the New Deal has failed to bring about. No amount of fan-fare about armaments can more than temporarily steer the public's mind away from this reality.

BANK LOANS AND BUSINESS . . . Conditions change but old ideas die slowly. We have a changed condition in the quite obvious fact that for some years commercial bank loans have been tending to play a less and less dynamic role in financing business activity. Yet on the financial pages of prominent newspapers we read repeated comments—with a bearish implication—that "the absence of commercial loan expansion thus far in the recovery cycle is disappointing." Evidently many observers linger under the delusion that an increase in commercial loans would be a favorable signal on the economic barometer.

In recent years total loans and discounts of reporting Federal Reserve member banks have usually averaged about $8,000,000,000 to $8,500,000,000. In combination with the increased cash resources of large corporations, this volume of short-term credit is ample to finance a normal volume of business. It is turning over constantly as loans mature and new ones are made, but we now tend to get a significant increase in the total only at a late stage

Business, Financial *and* Investment Counselors · 1907 — *"Over Thirty Years of Service"* — 1938

of the upward economic cycle. Since a fast expansion of commercial loans is very likely to reflect inventory expansion, such a credit change is more of a storm warning than a promise of better times to come. During the past seven months total loans and discounts of reporting member banks have declined slightly, but the Reserve Board Index of business activity during the same period has advanced from 75 to above 95. This is nothing new. In 1933 from March to July loans and discounts increased by a fraction of 1 per cent, while the Reserve Board's business index advanced from 59 to 100. In the generally good year 1936 such loans and discounts averaged less than in either 1933 or 1932.

But in the autumn of 1936 business men began to speculate in inventory. In the last four months of that year loans and discounts increased by $660,000,000, and from January, 1937, to September, 1937, there was a further expansion of approximately $1,000,000,000. It was in September of last year, with commercial loans at a five-year high, that business began one of the fastest collapses in history. Don't fret about the present "disappointing" trend of bank loans. A moderate and gradual expansion could be viewed with equanimity, but when this particular credit index next starts to climb speedily, you can begin to look for trouble.

PRIVATE FINANCING . . . Saving of registration costs and elimination of delays are the common reasons why companies should choose, as quite a few have been doing recently, to sell their bonds privately to institutions rather than offer them publicly. The buyers, principally insurance companies, have as their motive in the transactions a pressing hunger for good investments with which to replace maturities and furnish occupation for new funds. The third group of parties interested in these sales are the investors who already own securities in the companies doing the financing, and they apparently benefit to the same extent that the companies do in the more favorable results attained by the method.

The advantage to present security-holders is at least questionable, though. Perhaps the chief objection lies in the fact that by this means the progress made in forcing publicity of corporate affairs is jeopardized. The method has the further drawback that it closes important markets to the great majority of investors, whose participation has been in the past and will be in the future highly important. Flourishing though the practice is at present, it seems safe to predict that it will prove to be one of the passing phenomena of this cheap money era. Ultimately the objectives of the S E C for full and complete publicity for all issues in which there is direct or indirect public interest will prevail, even though new legislation be necessary.

STERLING POINTS DOWN . . . Whatever our sympathies with Great Britain, persistent decline in the dollar value of the pound sterling reflects the coldly practical financial judgment of the world that things are going none too well for John Bull. The temporary optimism born of the Munich capitulation by Chamberlain and Daladier has vanished. Sterling, despite official support, has sagged within striking touch of the September war-scare low. In France domestic troubles and dissensions multiply.

Factors behind the weakness in sterling include fear for the longer security of the British empire and resultant nervousness of refugee capital which had sought safety in London during recent years; uncertainty as to the cost of Britain's armament speed-up and the method of payment; and a decidedly adverse visible balance of payments with the United States. The latter factor is partly—but only partly—seasonal. Recently the ratio of British exports to the United States, compared to imports, was about one to seven, against one to three a year ago. The signing of the British Trade treaty may change this trend as heavy shipments held up in anticipation of tariff concessions move toward this country. At least temporary improvement of sterling would result.

Meanwhile continued weakness in the pound tends to reduce our exports, to depress commodity prices and to contribute to general uneasiness in our stock market. It revives the old fear of further dollar devaluation. In view of such circumstances, even temporary rallies in this financial measure of the prestige of Britain will be welcomed.

FAIRNESS TO UTILITIES . . . It is to be hoped that the efforts of Wendell L. Willkie of the Commonwealth & Southern Corp. are having a cumulative effect on public opinion, if not on the officials to whom they are addressed. Only the thought of invisible gains which will soon become patent and valuable could have kept his task from being utterly discouraging. He has tried time and again to reduce the differences between his companies and the Government to a basis which would allow some chance of reasonable settlement; and he has had practically nothing in the way of success to report to his stockholders as a reason for continuing the attempt at moderation and common sense in business-Government dealings.

If Mr. Willkie were engaged in a dispute with another private company and offered to leave the matter for decision to an agency controlled, paid, hired and originated by the opponents, there could be no doubt that he felt confident of his case, nor that he desired at any cost to have the facts set straight. In suggesting that the S E C decide the value of the properties in the T V A area so that "reasonable" offers for their purchase by municipalities can be judged on a basis other than personal opinion, the president of Commonwealth & Southern Corp. should come a step nearer convincing the public that he really wants nothing more than fairness. Furthermore, if the case should ever be laid before the S E C, which is not very probable, those on both sides of the argument could feel sure that it would at last receive the fair hearing so difficult to arrange under present methods.

Monday, November 28, 1938.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELORS · 1907 — *"Over Thirty Years of Service"* — 1938

As I See It!

BY CHARLES BENEDICT

WHAT ABOUT ITALY?

WHILE both Germany and Japan have greatly added to their territory and influence, Italy's title to Empire rests only on Ethiopia—which, while of strategic and political importance, is of dubious commercial value. Nor has the Munich Pact brought any material gains to her.

That there is considerable dissatisfaction in Italy is evident by the opposition to Mussolini that is apparently strengthening in important quarters. The first evidence of this was noticeable at the time of the Czechoslovakian crisis when Emperor Emanuel refused to permit the mobilization of Italian troops to fight France (it was said) but actually because he did not wish to fight for the German cause. Italian people do not like the Germans any more than the Germans like the Italians.

Again, the newsreels on several occasions recently show Emanuel and Il Duce side by side reviewing troops and jointly participating in other important events — which was not true some time past when it was the rule that there was to be no division of glory or publicity between the King and Mussolini. Also, it was Emanuel who received the contingent of "volunteers" from Spain recently, not Il Duce.

These are straws in the wind which it is well to notice in observing the Italian scene.

Even the Italian anti-Semitic campaign came as a great surprise because Mussolini has always been a man of liberal tendencies. It is quite possible that he used this means strategically to strengthen his position in the Fascist Party which for a long time had been eager for some of the "advantages" that have been distributed in Germany in the way of loot for party members.

All in all, Italy has not fared well since Germany entered Austria. Mussolini's friendship with Hitler has not materialized in the tangible assets hoped for. There is today greater uncertainty over the reestablishment of the old Roman Empire, including both sides of the Mediterranean from Portugal in Europe and Morocco in Africa down to Egypt, than there was a year ago.

After Czechoslovakia the Nazis were so sure of themselves that I doubt whether Mussolini felt any certainty to what extent the agreement on division of territory would be kept. Already the maps of prospective Greater Germany in 1940—distributed in the Sudetenland after the fiasco of Munich—showed the northern slice of Spain, with its minerals, cut off from Italian influence—with Germany in control of Europe from the Atlantic to the Black Sea.

And yet Mussolini is obliged to stick to Hitler because his interests are diametrically opposed to those of England. Besides, the decline in the pound and flight of capital from London indicating the lack of confidence everywhere in the Chamberlain government and Britain's future, is Italy's opportunity. (*Please turn to page 230*)

Wide World Photo

What's Ahead for the Market?

We believe that below 146, Dow-Jones, sound industrials enter an attractive range for intermediate trading and long pull investment purchases. This opportunity probably will be at least moderately bettered in reaction before mid-December

By A. T. MILLER

Now that the stock market has made a strategic retreat of approximately the distance we allowed for in our analysis a fortnight ago, it is as easy to find surface reasons for caution as it was to find surface reasons for optimism right after the election.

The temporary hope of European appeasement, created by the Munich agreement, has given way to grave misgiving. The French are confronted with another serious political crisis. The British face a deepening loss of world prestige, as reflected in a major movement of capital out of London and persistent decline of the pound sterling in terms of both dollars and gold.

At home there is a growing skepticism that the recent fast pace of business recovery can be maintained much longer without at least temporary pause or set-back. There is prompt comment on minor evidence of slackening, such as the slight dip in current steel operations. We are reminded by many observers that Congress assembles in January and that the long-heralded monopoly investigation gets under way very soon.

We concede that this is an impressive list of foreign and domestic worries. We concede that there is no statistical method by which we can measure the effect which it *should* have on the trend of the market; and that even more impossible is rational calculation of the effect it *will* have, as stock prices are in considerable degree a state of mind. All one need do to realize that the market is a less than perfect mirror of realities—either at home or abroad—is to take note of the year's many erratic gyrations on the charts presented on the opposite page.

For the sake of perspective, however, it is worth noting that there is virtually always *something* the matter with stocks at this season of the year—and especially so in years when the market has gorged itself on speculative turkey long before Thanksgiving Day. At this season in 1935 and 1936, there was nothing wrong with the pound sterling and no particular worry about the near-term business outlook, but stock prices were reactionary.

In expressing the view—in several preceding issues—that the market was headed for a spot of trouble, we did not take into account some of the things people are now fretting about. The fact was that the industrial average had advanced approximately 60 per cent in seven months time, a bigger percentage gain than in any similar period in either the 1935-1937 or the 1924-1929 bull markets. The fact was that the seasonal odds were strongly stacked against the bull side. The fact was that tax-selling was certain to be exceptionally heavy because of the changes made in the capital gains tax by the last Congress.

On such reasoning we advised postponement of new purchases for both intermediate and long-pull purposes, and ventured the opinion that a short-swing reaction before mid-December would provide a favorable buying opportunity. We put a tentative limit of 10 points on such reaction in the Dow-Jones industrial index. Since there has now been a net decline of approximately 12 points—as this is written at noon Monday—the practical question is whether we may be in for a reaction considerably more serious than we had allowed for.

In our opinion the technical vulnerability of the market at recent highs was less than at the summer highs for several reasons. First, the fast summer advance had been corrected by a full intermediate reaction, coinciding in its final phase with the acute war scare. Second, the post-Munich advance extended the August high by only 9 per cent in the industrial average. Third, a majority of leader type industrials did not participate in the election upturn and by sticking in a relatively narrow groove for some weeks prior to the present reaction had been gathering technical strength. Moreover, we find it impossible to believe that as a practical market influence the present European news is as serious as was the recent war crisis.

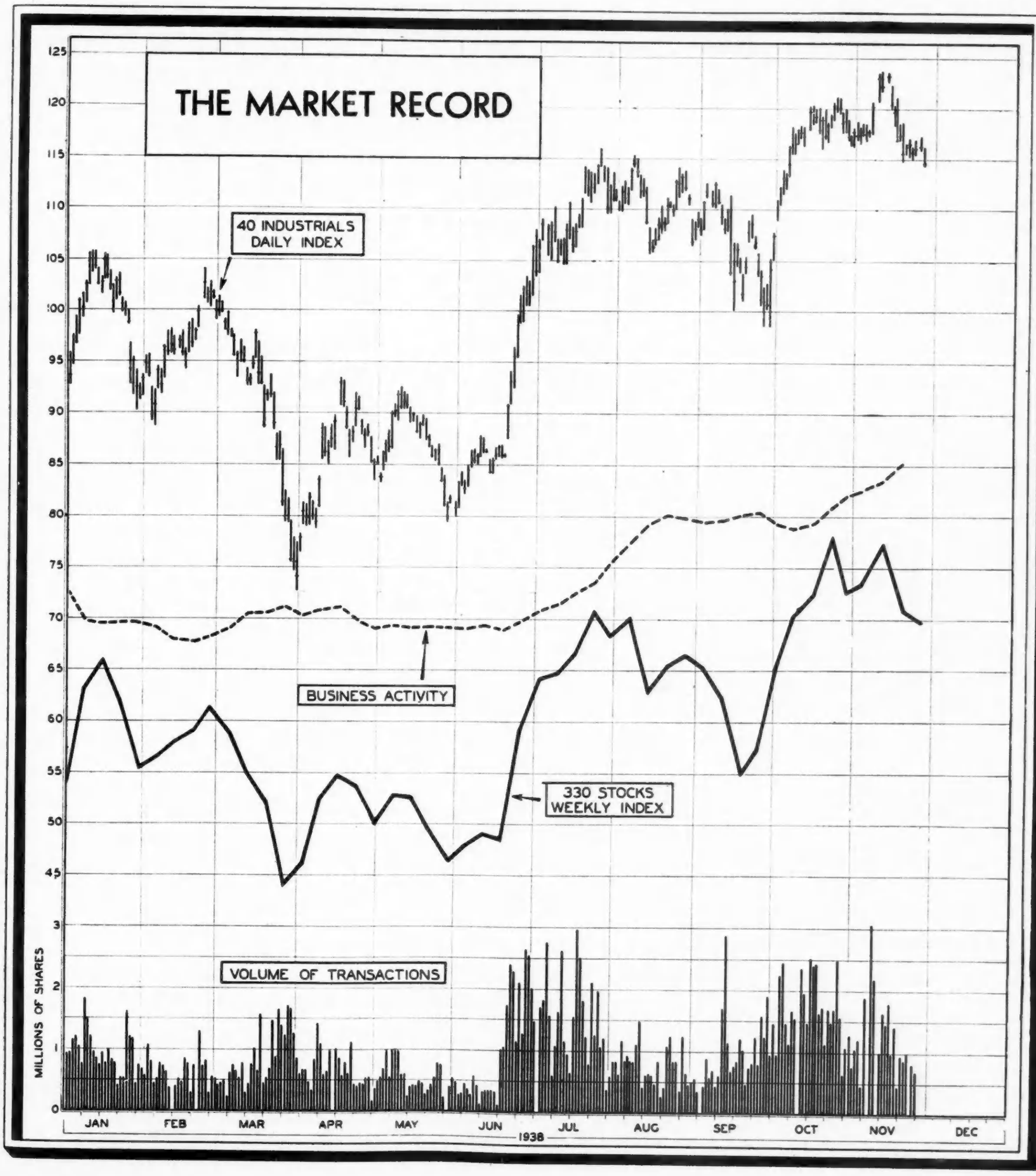
Against all such apparent logic is the fact that the answer lies in the emotions of human beings, and in our present regulated market those emotions react more violently upon prices than ever before. As a check in weigh-

ing the near-term market performance, however, it is worth keeping in mind that a percentage reaction equal to that in the August-September intermediate downturn would carry our daily index of forty industrials down to the 108-109 level and the Dow-Jones industrial index down to the 140-142 level.

We doubt that reaction at worst will exceed the August-September decline in percentage scope. With the Dow-Jones index now down through 146, we reason that the market has entered a zone definitely attractive for intermediate and longer term commitments. This is not to say that reaction has been completed, either in points or time. There should be a technical rally fairly soon, probably followed by further pressure before Christmas.

There is no reason to assume a change of major trend. Whether the bottom turns out to be 146 or 143 or 140 on this downswing, the psychological emphasis over the next two or three weeks should be on the matter of a buying level. Beyond mid-December the seasonal odds will be on the hopeful side. Over the past forty years the market advanced from December 15 to January 15 in twenty-four years and declined in sixteen years, but total advance in the industrial index in the up years was 119.18 points against total decline of 22.80 points in the down years. There is sense behind these statistics. Given even a fifty-fifty chance, the human mind becomes hopeful as we end an old year and begin the new one.

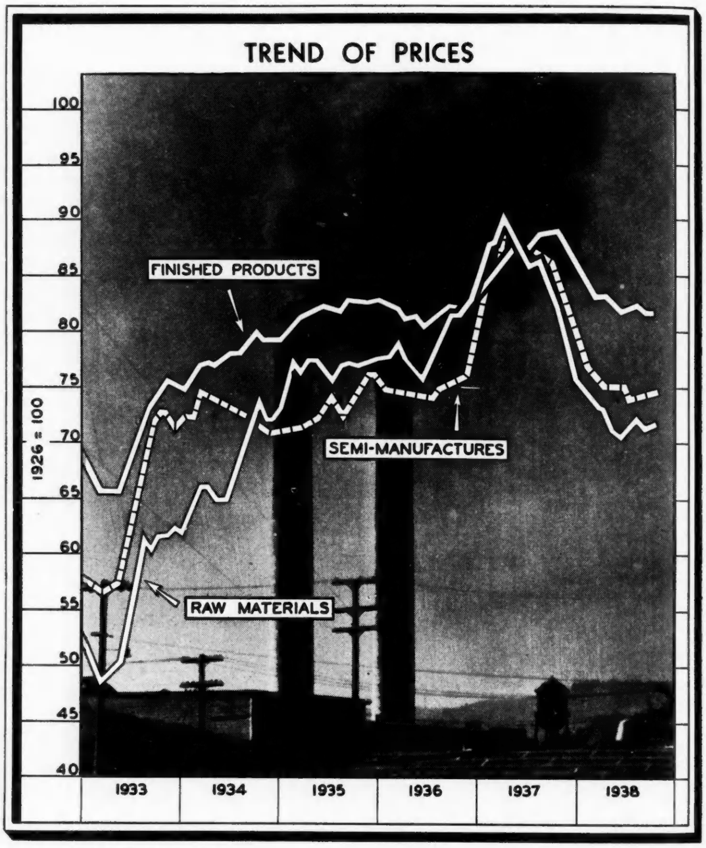
—Monday, November 28.



Prices and Industrial Profits

A View of the Outlook with Due Consideration to Markets, Output, Labor Costs and Raw Materials

BY WARD GATES



Charles Phelps Cushing Photo

IT is not particularly optimistic to assume that business activity may average 95, as measured by the Federal Reserve Board's seasonally adjusted index, during the first quarter of 1939—since it is slightly above the 95 level now. Such a performance would virtually approximate that of the first quarter of 1936, but for investors and speculators the compelling question is whether corporate earnings are going to be "in line" with the raised level of volume.

The general trend of company profits is upward, of course, and in comparison with results during the forepart of this year the gains during the next several months are going to be very substantial. On the other hand, throughout the notably fast recovery in volume since June the price trend of finished goods has continued slowly downward, making a new low in November; while prices of most industrial raw materials and semi-manufactured goods—although static or mildly reactionary at the moment—are above the depression lows. Moreover, the unit cost of labor in manufacturing industries, while well down from a year ago, is now pointing gradually upward.

Present trends and relationships of prices and labor costs do not preclude a major earnings recovery, but it must be recognized that in many industries they may constitute obstacles which only satisfactory volume can overcome.

Since the existing level and the trend of composite business activity appear closely comparable with those in the closing months of 1935 and the early months of 1936, it may be illuminating to have a look at the trends of earnings, prices and labor cost—as well as their respective levels—in the latter period.

The Reserve Board index averaged 97 in the fourth quarter of 1935 and 95 in the first quarter of 1936, yet the index of industrial corporate profits, as compiled by the National City Bank with allowance for seasonal variations, was 75 for the first quarter of 1936 against 67 for the fourth quarter of 1935. In other words, despite a slightly lower volume of business in the first quarter of 1936, profits were nearly 12 per cent larger than in the final quarter of 1935. To make this gain possible it would seem that industry must have had some special advantage in price trends or price spreads or in labor costs—but no such fortuitous influences can be found in the records.

The trend of unit labor costs—that is, hourly wage cost per unit of product turned out—was slightly upward in the first quarter of 1936, with its average level for the period about the same as in the final quarter of 1935. The price trend was slightly downward in the period, with the index of finished goods of the Bureau of Labor Statistics declining from 83.1 in December, 1935, to 81.3 in March, 1936, or a decline of 1.8 points; while the index of raw materials fell only .3 of a point or from 77.7 to

77.4; and index of semi-manufactured goods moved down from 75.2 to 74.4 or by .8 of a point. In contrast, there was no net change in the composite of finished goods prices during the last quarter of 1935, but there were slight increases in prices paid by industry for raw materials and semi-manufactures.

In the first quarter of 1936 the index of finished goods prices averaged 82, that of raw materials 78.2 and that of semi-manufactures 74.6. In the preceding quarter the comparable averages had been, respectively, 82.8, 77.3 and 75.9. Thus, in the first quarter of 1936 the spread between finished goods prices and raw materials was 3.8 points and spread between finished goods and semi-manufactures was 7.4 points. The corresponding spreads in the last quarter of 1935 had been, respectively, 5.5 points and 6.9 points. With relation to profits in manufacture of finished goods, the substantial decrease in spread between finished goods and raw materials from the fourth quarter of 1935 to the initial quarter of 1936 much more than outweighed slight increase in spread between finished goods and semi-manufactures.

Industrial Raw Materials

Even with allowance for the fact that inclusion of farm products in the raw materials index often distorts the picture, it did not happen to do so in the period under review. To cite a few specific examples, prices of steel and iron, non-ferrous metals, chemicals, leather and building materials were all slightly lower in the first quarter of 1936 than in the final quarter of 1935. Moreover, it is worth noting that unit labor costs in the first quarter of 1936 averaged about 88 per cent of the 1929 level, which means that prices were down substantially more than labor costs.

There are two possible reasons why industrial earnings in the first quarter of 1936 were 12 per cent better than in the preceding quarter, despite absence of any volume gain. First, given generally satisfactory volume, there is a cumulative tendency in profits. That is, if a company attains a volume of 80 per cent of capacity and holds it six months, it will probably earn more in the second half of such period than in the first—other factors being equal—due to increasing efficiency. Second, there is a tendency, especially in heavy industry, for some of the production of one quarter to find reflection in the billings and profits of the following quarter.

Because of the purely fortuitous circumstance that business activity right now is almost exactly what it was at this season in 1935—with a fair chance that the parallel will be maintained for several months to come—all of this 1935-1936 history of prices, labor costs and profits is most pertinent.

On the present visible factors, it seems highly improbable that there will be any significant near-term advance in prices of either finished goods or the general run of industrial raw materials. The balance of probability, in fact, points to further gradual decline in finished goods. Most raw materials of industrial importance have been mildly reactionary over the past ten days and may recede further but—differing from finished goods—the depression low in the average of industrial raw materials very likely has been seen.

Recent recession in commodity markets can be attributed to such various factors as the disturbed European situation and renewed decline in the pound sterling, certain expected consequences of the trade pact recently negotiated with Great Britain and Canada, more cautious sentiment created by recession in the stock market and a growing view that the very speed of the gain in production during recent months may imply a pause in the recovery movement after the turn of the year.

More significant than these transient influences, however, is the fact that at no time since the President announced the present pump priming and credit expansion program last spring have business men showed the slightest inclination toward speculative forward buying. They well remember how their fingers were burned in the commodity speculation of the spring and summer of 1933 and again in 1937. They now have only jibes for those eminent economists who from 1933 through 1936 were preaching that devaluation of the dollar would inevitably be followed by a rise of at least 59 per cent in the price level—said economists being meekly silent at present.

Indeed, the recovery movement to date looks very much like that of 1935 with respect to price stability and emphasis on volume. In the latter year the maximum range of fluctuation in the index of finished goods was 2.3 points, in raw materials 1.6 points and in semi-manufactures 5.1 points—making it the most stable year, at least as regards prices, since the 1923-1929 "New Era."

As measured by Bureau of Labor composite indexes, the present spread between prices of finished goods and semi-manufactures is 4.8 points or less than the average in the first quarter of 1936 and the tendency appears toward further narrowing. The existing spread between finished goods and raw materials is 10.3 points or much larger than it averaged in the first quarter of 1936 but this is partly an illusion in that it is due importantly to the severe decline in farm prices during the past year. Taking a cross section of individual commodity indexes—steel and iron, non-ferrous metals, rubber, bituminous coal, building materials, leather and paper—the present average is higher than in the first quarter of 1936 and the spread in favor of the manufacturer of finished goods is, as a generality, probably slightly less than in the initial quarter of 1936.

Reduced Costs

It is important, however, to note that as compared with the average of 1937—a year of generally good corporate earnings—prices of industrial raw materials and of semi-manufactures have to date declined considerably more than prices of finished goods, which means that with reference to costs of materials industry has a more favorable spread at present than was averaged last year.

Unit labor costs in manufacturing industries, as most recently reported by the National Industrial Conference Board, are at 98 per cent of the 1929 level. This is a decline of about 20 per cent from the record high established in the closing months of last year but is only some 4 per cent under the average of last year. At the moment, therefore, it can be said that, as compared with the average of 1937, industry has an advantage both as to a reduction of 4 per cent or thereabouts in true labor costs and a substantially increased (*Please turn to page 230*)

Happening in Washington

BY E. K. T.

The President holds the key to Congressional cooperation. He is unpredictable, but an opportunist. Some of his advisers are urging him to stay well to the left and fight reactionary tendencies vigorously, but at present he seems inclined to accept the election mandate to go slow on reform and to cooperate with business and Congress. He can do this without losing face unless he is determined to make militant liberalism the 1940 election issue. There are signs that after the failure of the primary purges he prepared to adopt a conciliatory attitude if elections turned out the way they did.

Breathing spell for business is definitely in the cards for next few months at least, whatever Roosevelt's long-range political plans. Administration economists foresee period of improvement in business activity and employment and administration politicians insist that nothing be done to interfere with this trend, recalling how quickly recovery was checked in summer of 1937. Roosevelt apparently has few reform proposals to advance at this time and those pending (such as departmental reorganization) can be compromised.

WASHINGTON SEES—

Political leaders formulating policies.

Roosevelt leaning away from the left.

Breathing spell for business.

"Little Cabinet" shaping policies.

Foreign policy to overshadow domestic reform.

Trade agreements important in foreign policy.

Monopoly investigation carefully staged.

Vigorous anti-trust enforcement.

Farm surplus program evolving.

Cabinet revision rumors thrive again with Cummings' resignation. Roosevelt would like to make changes but personal friendship prevents him from ousting several who like their posts. More important is the fact that in several Departments the Cabinet officers are only figureheads and the real work is being done by able, levelheaded assistant secretaries. These "Little Cabinet" officials are shaping policies without much regard either to their nominal superiors or the President's personal brain trust. Examples: Hanes and Tayler, Treasury; Johnson, War; Edison, Navy; Patterson, Commerce; McLaughlin, Labor. This is a relatively recent development of much significance.

Foreign policy is expected to be the chief string in Roosevelt's harp during next year. For one thing, it will turn attention from domestic difficulties and intra-party differences, permit Roosevelt quietly to drop his reform drive, and provide issues which should give him wide support. But he is genuinely concerned over the aggressiveness and ruthlessness of dictatorship nations, sees them as a real threat to our domestic tranquility. He wants to rouse the U. S. from its isolationist tradition by showing that dictatorships will interfere with us if we don't take steps to check them. One step is to show that democracy works well here (which augurs well for business). Another is to cooperate with other democracies, particularly England, in every way possible short of open military alliance. Others are national defense and closer relations with South America.

National Defense will be pushed on the plea that force is the only argument respected by certain nations, that the only present way to avoid the necessity of fighting some time soon is to be demonstrably prepared for any contingency, that our trade and cultural relations abroad and even domestic conditions may be upset by aggressors unless we are militarily able to make our views respected. Details of the preparedness campaign are coming out piecemeal, much more will come in January; it will involve heavy spending, but many aspects will stimulate business and employment.

Latin America will be courted into an "anti-dictatorship block." This will be difficult because of strong German, Italian and Japanese trade ties there, and will involve a restatement of the Monroe Doctrine in terms of "continental security." The Lima conference is only one of many steps in the plan.

Trade agreements with England and Canada have as much political as economic significance. Protests from U. S. producers came immediately and were anticipated, but in most cases duty reductions were carefully drawn to include only selected Empire specialties. Export benefits will be felt slowly but will be very considerable in time. Much trade stimulus should come through ending of uncertainty as to what would be in the agreements. Regardless of actual trade benefits, the agreements connote a community of commercial interest between U. S. and British Empire which will be reflected in future greements with other British Dominions. More important, they definitely turn England away from the Empire self-sufficiency policy of 1932 and commit her to the Hull program of fewer trade restrictions and discriminations as opposed to the German policy of autonomy, barter, and exchange control. This contrast between U. S. and German trade policies is being talked up by administration spokesmen for both domestic and foreign consumption.

Budget deficit does not appear to worry the Administration. Belief is deficit spending can continue for long time, be beneficial to recovery, can be repaid painlessly in later years when national income reaches a new plateau; also that if most of deficit can be laid to national defense there will be little opposition.

Monopoly investigating committee is carefully planning to avoid sensationalism, scare headlines, in its opening series of hearings. Publicity methods have been devised to prevent the appearance of going after particular companies, to convince public it is doing constructive job. Therefore government economists were called first to give a dispassionate picture of "performance record" of U. S. economy. Therefore the first study of patents is the automobile pool which will be generally commended, held up as a model to other industries. Individual complainers, reformers, theorists, will be kept off the stand if possible. Presentations will be by economic problems rather than industry by industry.

Vigorous anti-trust enforcement will go on regardless of monopoly investigation. Staff, recently doubled, will be greatly expanded next year, and many more cases brought—but selectively. Hope is to build up body of precedents so business will know what it can and can't do; to meet justified complaint of business that anti-trust laws need clarifying. Criminal suits will be brought in ordinary cases of restraint and coercion, particularly in smaller business practices heretofore largely neglected for lack of staff. Consent decrees will be used where "mere enforcement" will not solve a problem, where some sort of concerted action must be countenanced to preserve mass production, orderly marketing, or deep-rooted practices, or to eliminate evil trade practices. Civil cases will be brought where Department sympathizes with moral

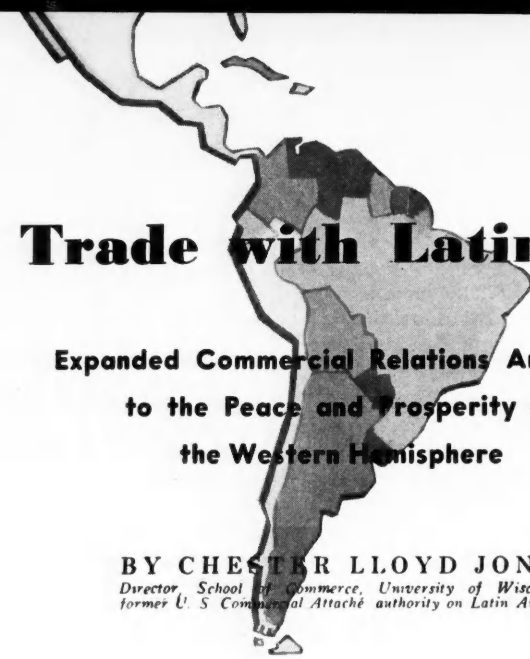
Wide World

A good part of the program for rearmament falls to the direction of Louis Johnson, Asst. Secretary of War.

objectives of technical violation. Advance opinion won't be given but Department welcomes suggestions for consent decrees.

Control of advertising as such is not desire of Department of Justice, which is suffering repercussions from its unfortunate phraseology in announcing the auto finance consent decree and generalizing on advertising as a factor in building monopoly. But where it is thought that advertising policy has become part of a plan to restrain trade unreasonably it will be attacked through anti-trust consent decrees.

Two-price plan for agriculture is quietly being discarded by the administration. State Department has firmly clamped down on export subsidies except for a few special cases. For domestic distribution few Agricultural Department officials really favored an actual 2-price plan and this term is something of a misnomer. What will be attempted is a reduction in distribution costs for surplus farm products in geographical and income markets not previously reached, in hopes of building permanently larger markets. Cooperation of processors, distributors and retailers is being sought—and obtained. Other possible means are freight rate reductions, relief purchases by F S C C, government subsidies for promotion in new markets. Private distribution facilities will be utilized and in most cases existing markets and prices for quality goods will not be disturbed. Theory is that if market is found for surplus and lower grade goods at almost any price it will increase total return to producers and possibly reduce price of higher grade stuff. Recently announced citrus and winter pear plans are feelers in this direction.



More Trade with Latin America!

Expanded Commercial Relations Are Vital to the Peace and Prosperity of the Western Hemisphere

BY CHESTER LLOYD JONES

Director, School of Commerce, University of Wisconsin, former U. S. Commercial Attaché authority on Latin America

POLITICAL developments of recent months have brought home to Americans a keener realization of the contrast between the ambitions of the peoples of the new world and many of those of the old. The United States has been forced to consider whether it will remain aloof if a crisis in Europe ripens into war. Latin American nations, faced by far reaching political propaganda and trade drives by Germany and Italy, have felt less secure from old world influences.

Both of the major divisions among American states have reconsidered their relations with each other. Declarations that the Monroe Doctrine is abolished or should be abolished, so popular at Buenos Aires two years ago, have been stilled. They will not be heard at the forthcoming Pan American conferences, at Lima.

In these conferences, which begin December 9, no debates will be staged as to whether "democracies" shall have dealings with "dictatorships" such as have recently been occupying attention in Europe. We have long been familiar with such associations. There will be no discussions as to whether certain states are, or ought to be, democracies in fact or only in name. We have long accepted that the form of government which American states adopt is their own business and something which neighbors can affect but little if they would.

Emphasis will be given methods of cooperation to assure American security. The new world nations have come to realize as never before that their long time interest lies in developing their interdependence as a means to assure to each its independence. Go it alone policies are to their advantage in neither political nor economic affairs.

What political steps it may be possible to take to strengthen the position of America it is not easy to forecast. It is clear at least that major responsibilities in military and naval defense of America must rest for the present upon the United States.

The economic measures which are desirable allow an analysis to greater degree, based upon experience. Breakdown of the bases upon which economic life within some of the leading European states has rested and the strained economic relations which continue among them make the present an opportune time for reappraisal of American commercial policy. Re-examination may indicate whether we have been following a path which brings to American states their greatest strength, whether our policies should be modified or whether we should strike out upon a new one.

European markets are still the most important for the United States and they take all but a negligible fraction of that Latin American trade which does not pass to American areas. But European trade is hedged about by increasing restrictions and uncertainties. Asiatic sales and purchases are in no better condition. In both areas war needs take attention over those of peace. Hence new world states may well give special attention to their economic relationships with each other.

The success these states may have in shaping acceptable conditions for themselves may measure the peace and prosperity of the new world, determine the influence they will have in international affairs and perhaps induce the adoption of similar standards elsewhere.

U. S. Trade Leads

Economic connections between the United States and its neighbors are already great, much greater than those of Latin American states with each other. In sixteen of the twenty republics imports from the United States are more than a fourth of the total. In eight they are of greater value than those from all the rest of the world. In twelve the United States takes a quarter of their shipments abroad and in eight buys more from them than all the rest of the world combined.

These exchanges are the result of many factors, chief among which are proximity, the complementary needs of the countries for each others products and the liberal trade relationships which have existed among them.

But though liberal trade conditions have existed the interchanges are far less than can be secured if still more

generous standards for commerce be adopted. The traditional policy of both the United States and Latin American countries has been equal treatment for the trade of all nations. This policy has in current years been supplemented under the leadership of the United States by a program of reciprocity treaties looking toward the reduction of tariff charges by the contracting parties. These reductions are to apply not only to trade between the assenting nations but also to the goods affected which may come from other nations with which our trade rests on the unconditional most favored nation basis.

Obstacles Ahead

But shadows have appeared especially in recent years in the trade relationships of American states. Policies have developed which even under the most favored nation basis for commerce have established substantial discriminations against certain nations through rates aimed at their distinctive exports, and the rates thus established have often been pushed to higher and higher levels.

The variant results are illustrated in the tariff legislation of the United States. In determining its own domestic policy it has given free entry or liberal tariff rates to certain foodstuffs and raw materials which it does not produce, or produces in insufficient quantities. The result is that some Latin American countries enjoy in the United States the greatest, often the only, free market in the world for their chief products. Thus Brazil, Colombia and the Central American republics, the great coffee and fruit areas, pay duties on only a small fraction of the goods they ship to the United States, in some cases on less than a fraction of one per cent of the total.

But other countries are not so fortunate. Argentina producing meats and grains pays duties, relatively high ones, on some three-fourths of what she ships to the United States.

Criticisms of United States' policy are made by Cuba. Less than seven per cent of her shipments to the United States enter free. We have shut down on heavy imports of sugar from the island and thus made it impossible for her to buy from us as she would. In some years we have collected from her one-fifth of the tariff income we receive from all imports.

There is no question of our right to favor our domestic industries but, argue Latin American states, our policy cuts the market for their products and, they point out, at the same time reduces their power to buy from us.

Latin American countries have also used tariffs as "instruments of national policy." Formerly chiefly for revenue, they have later been increasingly used for developing home industry. More recently they have used tariffs as means for assuring their international balances and for the same end have supplemented them by exchange controls and quotas. A number have negotiated trade treaties with non-American countries granting exclusive concessions in tariff rates. There is no question as to their right to take such measures but such regulations of the free flow of commerce have cut imports and "frozen" or "'blocked" credits arising from imports and from the profits of direct investments which it was sought to send "home." They have interfered with the free flow of exchange in the "triangular" or "multi-angular" trade which has been one of the major influences in promoting the growth of international commerce everywhere.

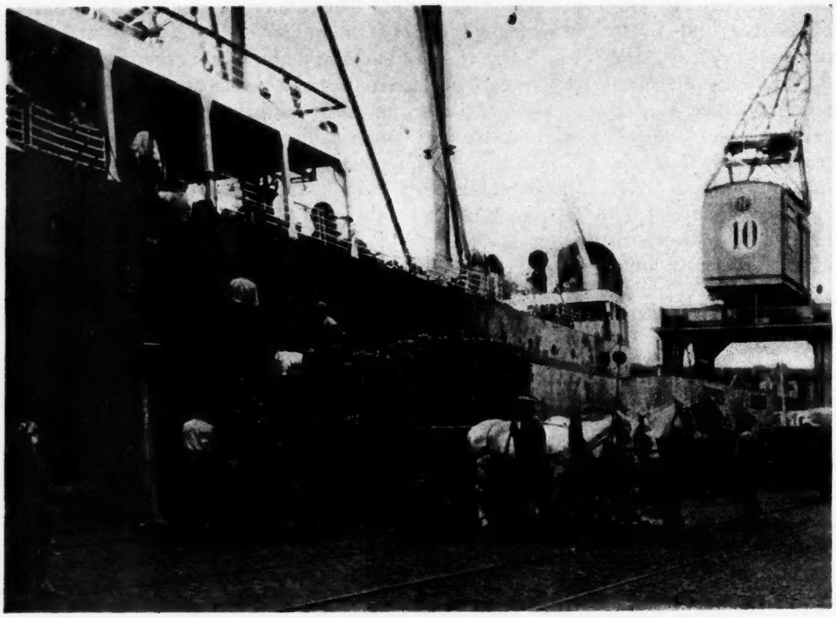
Some of these measures doubtless have been adopted reluctantly and practically under compulsion. Thus Argentina, the greatest commercial nation of Latin America, finds its chief market in Great Britain. The Ottawa treaties by their tariff favors given to the British Dominions threatened to cut down this market if not to cut it off. To save itself Argentina was forced to grant special concessions to Great Britain in order to assure that the sales of her staples there could continue. The result was the Roca-Runciman treaties of 1933, renewed in 1937, by which Great Britain receives special position in Argentine import trade. Uruguay has been obliged to make arrangements with Great Britain paralleling those made by her neighbor. Similar favors in tariff rates or in access to exchange have arisen from Mexico to Buenos Aires. The tendency under pressure by certain customers has been for the Latin republics to adopt "clearings" which equate the trade between individual countries on a "buy from us and we will buy from you basis."

Another variant measure channelling international commerce has been barter agreements especially as developed by Germany through the use of the Aski marks created in September, 1934. Usable only in controlled lines of trade, this special currency has been employed to stimulate German exports by what amounts to subsidy. Barter is, of course, no new thing and has under normal circumstances no advantage over buying and selling through use of currency. It is a clumsy and discarded way of doing business and, as the Germans have used the Aski marks, it must result for the Reich in "selling cheap and buying dear." But, of course, if the German public is willing to consent to the dumping of goods and the losses entailed by it, the indi-

Imports to and exports from the United States in Percent of Total

		Imports	Exports
Argentina	1937	16.4%	12.7%
Bolivia	1933	30.2	4.6
Brazil	1937	23.0	36.2
Chile	1937	29.1	22.5
Costa Rica	1937	42.5	45.1
Cuba	1937	68.6	80.7
Dominican Republic	1937	52.0	32.0
Ecuador	1936	28.8	45.9
Guatemala	1937	45.3	64.2
Haiti	1937	51.0	28.0
Honduras	1937	58.0	88.0
Mexico	1936	59.0	60.8
Nicaragua	1937	54.2	55.4
Panama	1937	52.0	90.9
Peru	1937	35.3	22.1
Uruguay	1937	13.6	14.0
Venezuela	1937	53.2	12.9 (6 mo

In Venezuela the destination of export trade is obscured by the character of the petroleum exports to the Dutch West Indies.



James Sanders from Cushing

Increased trade between the Americas is the key to future peace and prosperity.

rect subsidy may continue for an indefinite period.

The use of such measures has created widespread anxiety among traders outside of Germany who have felt that the use of Aski marks might create trade conditions which they could not meet and which would carry with them the possibility that German economic pressure might be expanded into the field of politics. Certainly the German trade drive became disturbingly successful in 1936 and 1937. Notable gains were made in Brazil and Chile where Germany passed ahead of the United States, which had long been the chief supplier of imports. German advance was notable also in Central America and in less marked degree in Peru and Ecuador. In 1938 Venezuela has been given special German attention. How long and how well the drive will continue to have success cannot be told. The returns for the first eight months of 1938 seem to indicate less favorable results for Germany than in earlier years.

At any rate other countries are not in a position to complain, for they have used the same expedient themselves. Even the United States has put through barter trade, notably in wheat, for coffee from Brazil, and another dumping arrangement is currently under consideration. These transactions like the German ones have involved the element of selling at lower than world prices. Like their counterparts they have twisted the normal course of international trade and have aroused apprehension. In sales of American wheat to Brazil, Argentina has felt that her well-established grain trade in that country was confronted by unfair competition.

In sum, then, nationalist tariff policies of importers of Latin American goods, the similar policies of American states for developing local manufacture, the upset balances of payments, treaties forced upon Latin American nations and barter and dumping transactions have turned commerce out of its "natural" channels.

All American states which wish to develop a continental economic solidarity now have to consider, therefore, whether they shall balance their exchanges with individual nations or stand by the policy of equal rates to all coupled with efforts to reduce tariffs and other limitations on the flow of commerce.

All the American nations have wavered in policy. The United States has experimented with quotas and barter agreements, though in the development of the Hull treaties it has maintained the traditional single standard of rates for nations granting them equal treatment and has sought reciprocal lowering of duties. How much has been accomplished in promotion of trade with Latin America by the concessions given and received it is not possible to say. We have made treaties with Brazil, Colombia, and Ecuador, and with seven states of the Caribbean region. Our trade with them has increased. Whether it did so primarily because of the treaties or because of the general improvement of economic conditions, especially during 1937, may be argued.

That the treaties must have created greater trade than would have existed without them seems clear for lowering of tariff rates must create a greater commercial flow than would otherwise have been possible.

Deeper tariff cuts on both sides must be made and the removal of other barriers to commerce especially exchange controls must be secured if commerce among the American states is to be vigorously stimulated.

The Latin American states also have not uniformly stood by the traditional standard of equal treatment. In fact, one by one, some of the stronger ones seem to be going over to the policy of exclusive bargains. Argentina and Uruguay have done so. Chile and Mexico have a number of special agreements and even Colombia and Brazil, with which we have Hull agreements, adopt regulations contrary to their spirit. Venezuela in 1938 has announced that she will abandon the traditional standard and this in spite of the fact that she has no foreign debt and is in extraordinarily favorable position as to balance of trade. There is much to be said for the argument that in Latin America the reciprocal treaties have shot their bolt. It was a shot in the right direction, but it has not gone very far or very deep.

Does our Latin American experience indicate that we should reverse our commercial policies and go over to bilateral and exclusive concessions? On the face of things that course seems attractive. In the Plate region we are not in a strong position in any case. Great Britain is there the chief customer and can demand special concessions as the price of continuing her purchases. We are not in comparable circumstance.

But in the rest of South America and in the Caribbean region we are as a rule far the greatest buyer. Means of pushing open the gates of trade (*Please turn to page 228*)

Taxes Exceed Dividends

Record of 107 Leading Companies in 1937 Show Tax Collector in Many Cases Gets Bigger Share Than Stockholder

Company	1937 Net Income	1937 Taxes**	Per Common Share 1937 Taxes	Per Common Share 1937 Dividends
Acme Steel	1,898,091	700,314	2.12	4.00
Air Reduction	7,326,835	2,118,500	0.82	3.00
Allis-Chalmers Mfg.	7,841,167	5,221,221	2.94	3.50
American Can	17,927,833	8,123,350	3.28	4.00
Am. Locomotive	6,113,218	1,549,998	2.02	None
Am. Rolling Mill	8,231,335	3,441,609	1.20	2.00
Am. Smelting & Refining	18,285,425	8,200,000	3.74	5.00
Am. Tel. & Tel.	235,976,171	137,664,900§	7.04	9.00
Am. W. W. & El.	3,878,267	7,600,000	3.24	0.80
Armour & Co.	5,975,935	9,812,613	2.41	0.70
Armstrong Cork	5,157,887	1,507,716	1.07	2.50
Atlantic Refining	9,935,045	5,199,523(1)	1.95	1.00
Atlas Powder	1,433,871	519,921	2.10	3.75
Baldwin Locomotive	407,377	1,811,092	1.76	None
Balt. & Ohio R. R.	D 720,695	10,918,554(2)	4.26	None
Beatrice Creamery	1,583,707	1,018,600	2.69	1.50
Bethlehem Steel	31,819,596	19,687,125	6.18	5.00
Borden Co.	6,290,652	5,705,516	1.30	1.60
Bristol-Myers	2,197,947	1,665,290	1.63	2.60
Case (J. I.) Co.	3,275,574	2,201,836	11.16	6.00
Caterpillar Tractor	10,168,690	2,824,013	1.50	2.00
Chrysler	50,729,211	40,216,742	9.24	10.00
Col. Gas & El.	13,573,490	11,366,383§	0.93	0.45
Columbian Carbon	4,466,250	1,506,919	2.80	6.50
Commonwealth Edison	14,868,407	16,102,582*	1.87	1.56
Cons. Edison of N. Y.	35,573,918	49,312,587‡	4.30	2.00
Container Corp.	1,784,105	1,022,245	1.31	1.20
Continental Can	8,913,526	3,052,572	1.07	3.00
Continental Oil	13,927,083	22,964,323§	4.90	1.50
Corn Products Ref.	8,100,521	2,309,726	0.91	3.00
Crane Co.	9,765,127	4,695,788	2.00	1.00
Deere & Co.	14,936,476	8,782,673	2.92	0.67
Detroit Edison	9,950,937	7,703,987	6.06	6.00
Diamond Match	2,111,959	4,121,847§	5.89	1.00
Du Pont de Nemours	88,031,943	18,900,000	1.71	6.25
Eastman Kodak	22,347,345	8,390,269	3.73	8.00
First National Stores	2,705,191	1,463,828	1.79	2.50
Food Machinery	1,854,469	646,961	1.52	3.25
General Electric	63,546,762	23,266,000	0.81	2.20
General Foods	9,206,295	3,667,783¶	0.70	2.00
General Mills	4,110,631	2,733,000	4.11	3.00
General Motors	196,701,724	104,959,000§	2.45	3.75
Goodrich (B. F.)	D 878,580	8,400,000§	6.44	1.00
Grant (W. T.)	3,401,725	2,753,165	2.31	1.90
Illinois Central R. R.	1,960,316	9,653,161	7.11	None
Jewel Tea	1,452,120	991,909	3.54	4.75
Johns-Manville	5,451,844	2,077,347	2.44	4.75
Kresge (S. S.)	10,712,513	7,438,563	1.35	1.20
Libbey-Owens-Ford	10,518,918	2,803,592	1.11	4.00
Loose Wiles Biscuit	733,593	1,073,896	2.06	1.60
Louisville & Nashville R. R.	7,100,346	7,745,980	6.62	6.00
McCrory Stores	2,168,621	1,228,291	1.24	0.40
Mesta Machine	4,668,029	1,884,162	1.91	4.00
Minnpls.-Honey. Reg.	2,929,249	919,725	1.48	3.00
Mo. Pacific R. R.	D 8,778,894	5,395,586	6.51	None
Monsanto Chemical	9,516,707	3,380,553§	3.03	3.00

Company	1937 Net Income	1937 Taxes**	Per Common Share 1937 Taxes	Per Common Share 1937 Dividends
Montgomery Ward	19,210,029	10,070,000††	1.92	2.00
Murray Corp.	877,364	632,607	0.67	0.25
National Cash Register	3,920,667	2,287,061	1.40	1.25
National Dairy Prod.	10,290,733	7,011,428	1.12	1.20
National Gypsum	687,428	291,817	0.30	None
National Supply	7,857,500	3,257,399	2.82	2.39
N. Y. Central R. R.	6,352,612	32,592,731	5.06	None
Niagara Hudson Power	10,502,271	14,359,600‡	1.50	0.40
North American Co.	18,502,481	17,625,648‡	2.06	1.60
Ohio Oil	11,862,107	9,663,054§	1.47	1.00
Otis Elevator	3,592,325	1,459,724	0.73	1.40
Owens-Illinois Glass	9,351,627	2,859,447	1.07	3.25
Pac. Gas & Elec.	24,663,450	14,982,971	2.39	2.00
Packard Motor	3,052,212	2,754,466	0.18	0.25
Parke, Davis & Co.	9,068,304	2,566,151	0.53	1.80
Penney (J. C.)	16,575,164	6,492,736	2.55	5.50
Pennsylvania R. R.	27,278,639	39,507,893§	3.00	1.25
Peoples Gas Light & Coke	2,424,725	4,541,144	6.83	2.00
Public Service of N. J.	24,201,870	22,309,332‡	4.05	2.60
Pullman	12,275,950	7,510,661	1.94	2.75
Quaker Oats	4,167,047	1,316,317	2.23	5.00
Radio Corp.	9,024,858	4,297,500	0.31	0.20
Raybestos-Manhattan	1,924,880	1,093,615	1.73	1.75
Republic Steel	9,044,148	9,334,681	1.60	None
St. Joseph Lead	7,127,945	1,967,550	1.01	2.50
Sears, Roebuck & Co.	30,828,248	19,900,128	3.60	5.50
Shell Union Oil	20,668,880	78,333,923§	6.00	1.00
Socony-Vacuum Oil	56,808,264	117,170,118§	3.76	0.80
So. Calif. Edison	12,058,469	7,066,266	2.22	1.75
Sperry Corp.	2,949,860	1,107,000	0.55	1.20
Standard Brands	9,865,358	6,833,835	0.54	0.80
Standard Oil of Indiana	55,950,784	103,924,580§	6.80	2.30
Sun Oil	9,544,085	35,484,047§	15.32	1.00
Swift & Co.	9,214,120	8,939,905	1.49	1.50
Texas Corp.	54,574,319	104,909,409§	9.65	2.25
Texas Gulf Sulphur	11,589,281	3,833,000	1.00	2.75
Tide Water Assoc. Oil	15,801,383	5,964,641(3)	0.94	1.20
Timken-Detroit Axle	1,811,247	939,320	0.95	1.50
Twent.-Cent. Fox Film	8,617,114	2,224,132	1.27	2.50
Union Bag & Paper	1,384,595	553,537	0.53	0.50
Union Pacific R. R.	17,655,516	13,244,160	5.95	6.00
United Aircraft	3,856,272	756,907	0.30	1.00
United Carbon	2,350,486	774,729	1.95	4.50
United Gas Imp.	29,105,379	15,478,889‡	0.67	1.00
United Light & Power	5,182,602	10,824,716	3.11	None
United States Gypsum	5,421,010	1,769,502	1.48	2.50
United States Steel	94,944,358	88,048,237	10.11	1.00
Westinghouse El. & Mfg.	20,126,408	14,046,475	5.42	6.00
Woolworth (F. W.) Co.	33,176,509	11,396,226	1.17	2.40
Young Spring & Wire	1,477,089	834,166	2.08	2.25
Youngstown Sheet & Tube	12,190,648	6,019,083	3.59	3.25
Average			2.91	2.44

*—Approximate. ‡—Includes subsidiaries. ¶—For U. S. only. §—Excise taxes included constitute considerable portion of total. (1)—$24,700,423 excise taxes not included. (2)—$7,137,291 excise taxes not included. (3)—$27,818,754 excise taxes not included. ††—Does not include sales tax. D—Deficit. **—Federal and State Taxes.

Figures on Taxes are those of American Federation of Investors, Inc.

Bank deposits at record high, and rate of spending is increasing.

Money Factors Point to Active Business

By LAURENCE STERN

LIKE most people, you are probably bored or confused by financial statistics such as this article will deal with—but just one moment, please! Let the writer ask you a simple question:

When the newspapers were publishing those long lists of individual incomes, as released by Uncle Sam from the tax returns, did you examine them with interest? Of course you did. So did we. They *were* interesting.

Let's carry the thought a bit further. You have a neighbor, John Smith. Suppose a snooping Government were mean enough to make public not only his income, but also how much money he has in his regular bank account, how much in his savings account, how much currency he carries in his wallet, how much money he spends in an average week, whether he has a loan at his bank and—if so—how much, and what he is "worth," especially in liquid assets such as stocks and bonds. Would you have a human curiosity in such information? Of course you would.

Moreover, if you were considering some kind of a deal with Mr. Smith, much of this information would be of practical importance to you. Well, the regularly published banking figures and certain other readily available statistics give us the low-down—not about John Smith as an individual, but about all of the John Smiths and Richard Roes and Tom Jones in the country.

How We Stand

It's all there—how much money we, the American people, have in the bank, the rate at which we are spending our money, how much we owe the bank, how much income we are getting, what our stocks and bonds are worth.

And the story told by these statistics is not only interesting to any who will read but of vital, practical concern to all. It tells us—the American people as a whole—approximately where we stand in the ever-shifting economic scene *and in what direction we are moving.* It has a close bearing upon such matters as getting or holding a job, buying a house or a new automobile, getting a larger or smaller return on security investments, deriving a profit or a loss from a factory or a store.

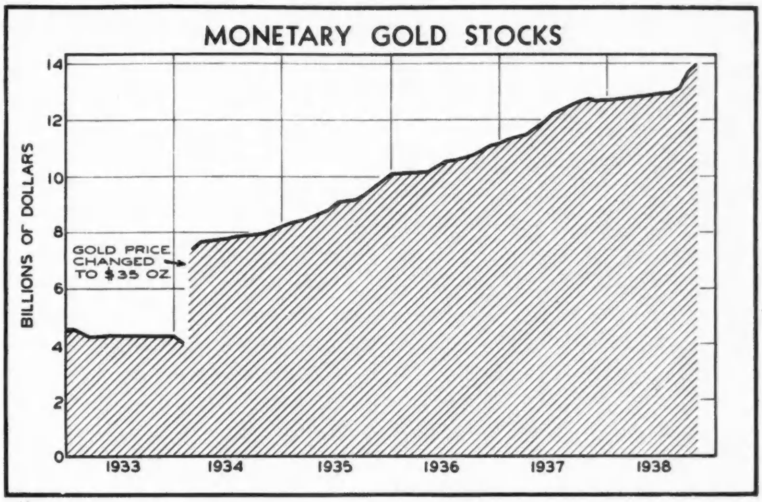
Credit Signals Forecast Change

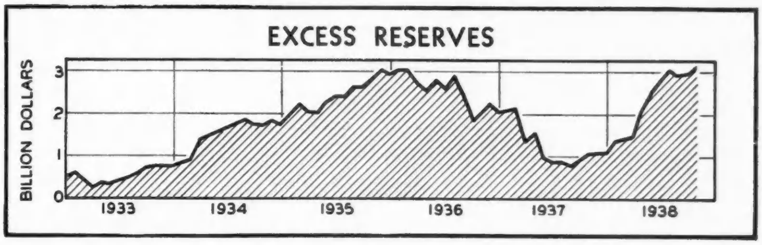
Looking back, it can readily be seen that depressions are *preceded* by monetary-credit storm warnings; and that a change for the better in the monetary-credit background *precedes* the visible upward cycle in business activity. For example, the 1920-1921 depression grew out of excessive expansion of inventories. The banking figures told the story. For many months the banks had been selling investments in order to expand commercial loans. The loan expansion reflected inventory expansion. That inventory expansion exceeded expansion in consumption was shown by the fact that bank loans increased faster than bank debits, the latter figure being a good measure of total spending activity. The ratio of bank debits to commercial loans turned down sharply early in 1920 a few weeks before the start of business decline and before the acute phase of stock market decline. In 1929 accelerating liquidation of investments by banks became apparent in the May statistics five months before the big stock market crash. In the closing months of 1936 the banking figures gave two warning signals. First, there was liquidation of bank investments following the deflationary action of the Federal Reserve Board in raising reserve requirements. Second, about ten weeks before the stock market topped out, the ratio of bank debits to loans began to drop rapidly, showing inventory expansion outrunning consumption.

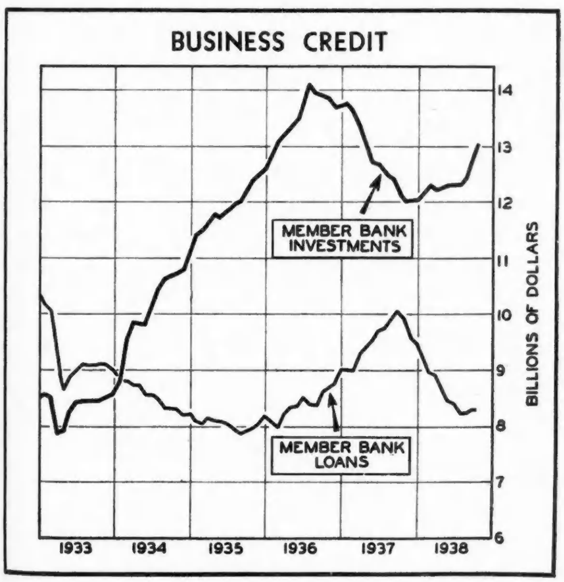
On the reverse side the skies began to clear late in 1937—although it was not visible in business activity—with a stabilization of the bank credit trend: that is with a termination of credit deflation as expansion of bank investments began to match deflation of loans. Last spring the announcement of the present New Deal pump-priming program forecast a coming expansion—call it inflation, if you choose—of (*Please turn to page 192*)

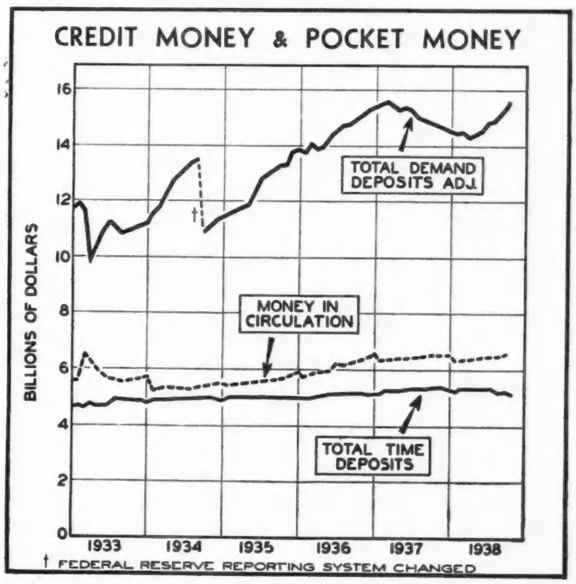
THE MONEY WE USE . . .

IN demand deposits of all banks, plus currency in circulation, the American people have more than $30,000,000,000 in cash, with at least another $20,000,000,000 in savings and time deposits. This is more ready money than we ever had before but business activity is well under 1929 or 1937 peak levels because spending, while increasing, is far from normal. If we should spend our money at even the 1923 rate we would have a prosperity exceeding anything ever known before. If we spent what we now have at the 1928-1929 rate the result would be a boom that would make the Coolidge-Hoover "New Era" seem like a depression. The base for this vast money-credit supply is more than $14,000,000,000 of gold, enough to redeem all foreign investments in this country and still leave 100 per cent backing for our currency. Of more important present relationship to the money supply than gold, however, is the level of excess bank reserves because this, subject to change in Government credit policy, governs potential bank credit expansion. Existing excess reserves of Federal Reserve member banks which report weekly would permit a deposit expansion of about $17,000,000,000 to a level more than double their present demand deposits which are up by $1,351,000,000 or 9.4% since last spring. There is no need for a $17,000,000,000 deposit rise and long before it could come about our "money managers" probably would be clamping down on the brakes. During the 1936-1937 credit expansion period they got scared too soon.



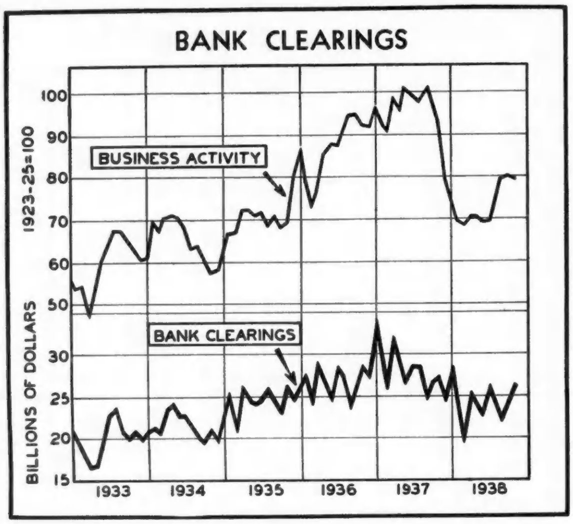


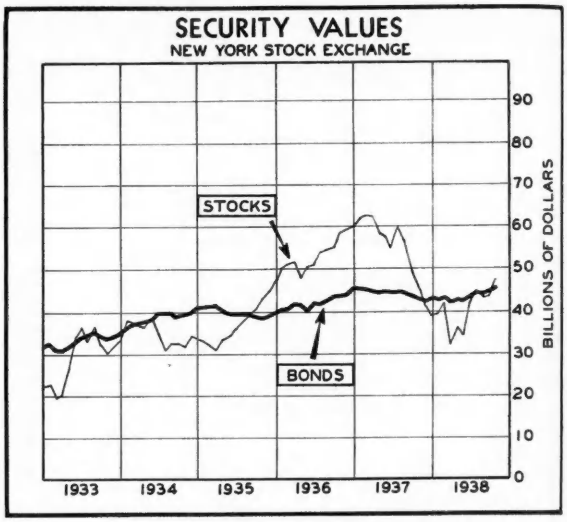




ALL charts on this page relate to money supply or potential supply. Chief causes of the big rise in demand deposits over the past six months are increased bank investments and imports of gold. Bank loans at times play an important part in the credit picture but in the present recovery cycle show no significant expansion as yet. Factors accounting for increased currency in circulation include foreign hoarding, seasonal trade needs and increased Federal relief spending. The first chart on the following page relates to the spending of money, comparing check clearings

with the index of business activity. As measured by check clearings, spending in October was 3.2 less than a year ago; 7.1 per cent less than in October, 1936; less than half what it was in October, 1929; and about 25 per cent under the level of October, 1923. The comparison with October, 1923, would not be substantially altered by allowance for change in the price level and increase in population, as these statistical differences nearly offset each other. The final chart has an important psychological relationship to money and business activity. Next to cash, listed securities constitute our most liquid wealth. We feel richer and more confident because securities on the New York Stock Exchange are worth some $17,000,000,000 more than they were eight months ago. But they have another $17,000,000,000 to go before they equal the top value of 1937 and 1929 values remain far over the horizon.





the bank-money supply. By November 9 adjusted demand deposits of reporting member banks had increased by $1,351,000,000 from the low of last spring. This increase was due partly to increased bank investments, chiefly in Government bonds, partly to transfer of free Treasury gold into spendable funds and partly to heavy gold imports—reflecting flight of foreign capital to America—which our "money managers" permitted to flow into the credit system.

Demand deposits of member banks are now slightly larger than at any time in 1937, which means very substantially larger than in 1929. In the early weeks of 1939, as holiday currency returns to the banks, excess reserves will reach an all time high—and such reserves right now are sufficient to permit a potential expansion of some $17,000,000,000 in demand deposits on top of existing total for reporting member banks of $15,711,000,000

The inward flow of foreign gold, although slackening, is continuing and prospect of a reverse flow is remote. Treasury operations during the first half of the coming year are likely to contribute more actively to deposit expansion than they are now doing.

In short, all signs point to further increase in our already redundant supply of money. As long as the money supply is increasing, the major business trend will necessarily be upward, regardless of transient reactions or interruptions. On the other hand, the scope and speed of this cycle of economic expansion depends not alone on the money supply but very importantly upon the *rate* at which money is spent for consumption or investment. And this side of the monetary-credit picture is not nearly as bright as the supply side.

Check clearings are under the level of a year ago by slightly more than 3 per cent and are some 7 per cent under what they were at this season in 1936. But the trend is up, for last March our national spending—as measured by this indicator—was under the year before level by 21 per cent and as late as June the decline was 8 per cent. It is perhaps significant that check clearings in October were nearer to the 1936 level than was the composite business index. We may conclude from this that consumption is showing a stronger current recovery than production as a whole. Checking with this assumption is the absence of any bank loan expansion—the static bank loan trend, in turn, reflecting the absence of inventory inflation or commodity speculation.

From a longer perspective, it should be noted that the country's spending rate, even at the highest level in 1937, remained substantially depressed as compared with the prosperity period of the '20's. Thus, check clearings in March, 1937—excluding New York City so as to avoid any distortion by activity in securities—were approximately 33 per cent under the 1929 average and nearly 25 per cent under the average of 1923-1925. Adjusting the latter comparison for approximately 12 per cent difference in price levels and 15 per cent growth in population, the discrepancy is slightly increased.

It need hardly be observed that if, for any reason, our people regained sufficient confidence in their longer future to spend and invest their present record high supply of money at the 1923-1925 rate, we would enter a period of prosperity without precedent. Meanwhile there is an increasing tempo in national spending and it is a favorable augury as far is it goes.

Unless and until we have printing-press inflation—and this certainly need not be taken into the present reckoning—variations in the volume of currency in circulation have little or no relation to the economic trend. Thus, at the low point of business *(Please turn to page 228)*

Beneficiary of Building Gains

U. S. Gypsum's New Plant, Equipment and Products Have Yet to Show Their Possibilities

BY JOHN C. LLOYD

WHEN U. S. Gypsum made its low of 55 early this year it had preserved in the midst of a bear market a price-earnings ratio of better than thirteen to one, figured on 1937 earnings. Since then it has moved up to around double that price with a corresponding increase in the ratio, despite the fact that profits for the current year have only a fair chance of equalling last year's. A twenty-six to one ratio indicates a high regard for any stock, but what is truly remarkable in this case is the additional circumstance that the same ratio holds good for peak earnings throughout a business cycle, from 1929 to 1937. In other words, Gypsum has the task, if it is to justify its market price, of beating its own records in the good years, including 1929, and of doing it decisively and within the relatively near future.

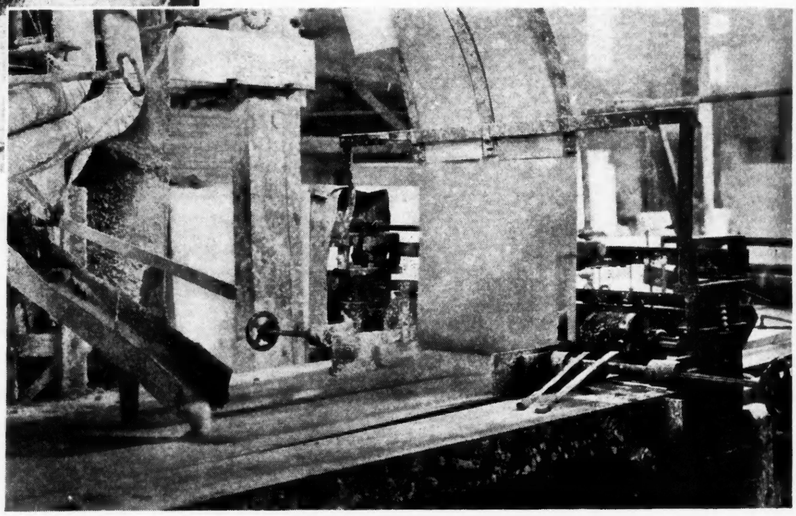
Before leaving the subject of market action and getting into the reasons behind it, we might note another extraordinary fact about Gypsum. The stock is now selling, and sold last year and the year before, higher than it did in 1929 by a good margin, although earnings have failed to better that level by any substantial extent. Expectations are clearly higher now than in the rosiest days of the last stock market boom.

Most fundamental of the reasons underlying such action is the long-term trend of the building industry as a whole. Cycles in building have in the past varied greatly in timing and duration from those in general business, even though the two affect each other strongly. Thus, with 1929 the big year for most types of enterprises, the building material suppliers had already passed their peak by then and were on the way down to the dismal levels of the depression, from which their recovery has been only partial. But the *trend* of recovery has persisted despite setbacks, and this year is likely to make the fifth in an unbroken series of gains for the industry. Together with other indications of good building times ahead, which will be discussed later, this trend furnishes the background for the optimism felt toward building issues in general and U. S. Gypsum in particular.

When you hear that this company began business at the turn of the century as an ambitious merger of several dozen small competing units, using borrowed money for working capital, that expansion since then has been solely out of earnings, and that the market now places a valuation on its common stock alone of around 125 million dollars, you are apt to regard gypsum with something of the awe accorded a gold mine. Actually, however, gypsum is one of the commonest minerals, easy to find, easy to quarry and easy to process. The secret lies in getting it to market more efficiently than competitors and in a more ingeniously usable shape.

Underwood & Underwood

Part of the vast desert of white gypsum near Alamogordo, New Mexico



Photos by Underwood & Underwood

Shown above is gypsum in crystallized form which is also used in the manufacture of U. S. Gypsum's products. At right, gypsum mixture is being spread between paper to make fireproof wall board.

Sewell Avery, the president of U. S. Gypsum, has left no room for doubt during the many years he has directed the company that he knows the answer to the secret. At the time he stepped in there was the problem of selling a product in scattered regions, with different competitive and manufacturing worries prevailing in each. The weak competitors occasionally ruined the market with distress materials and the stronger ones were engaged in a perpetual fight for the business. The virtues of calcium sulphate, or plaster of Paris, the form in which gypsum reaches its greatest usefulness, were apparent to builders, but the ways of putting it to use were relatively primitive. As the personality behind the company, Mr. Avery deserves the credit for many of the technical advances of the last three decades and for most of the canny handling of its resources which enabled U. S. Gypsum to grow with and ahead of its industry.

Today it is safe to say that no structure of any kind goes up without the help of some article made by this company or a direct competitor. Using calcined gypsum to make wall plaster, it was found that the addition of various retarding agents and other materials gave new qualities of strength and other properties. Gypsum also has desirable insulating qualities and no little interest is attached to the progress being made in applying it for acoustical purposes.

The same material comes wrapped up and ready to nail in place in the shape of wall board; it is used for partitions, for exterior sheathing as well as interior, for floor, ceiling and wall tile. Mixed with cement it functions as roof tiling, and it may be colored or coated to form interior finishes. U. S. Gypsum Co. has by no means confined itself to these products, however, having developed a substantial volume in such variegated supplies as paints for exterior and interior use, metal lath, mesh steel, metal tile, lime, stucco, fiber board and paper. In fact, if we were to attempt a full list of Gypsum's products the company would probably have extended it by two or three before we could reach the end.

Since efficient operations depend nowadays to a great extent upon a thorough integration from raw materials to ultimate use, it is no surprise to learn that Gypsum has built up a widely scattered system of mines, quarries, crushing plants, mills, factories and sales offices, supplemented by its own steamers and warehouses. Gypsum deposits are owned in fourteen American states and in Canada, estimated to be capable of supplying needs at the present rate for at least a century. Each large building center is supplied with raw materials from the nearest and most economical source.

Where Gypsum was acquiring small plants engaged in its own business during the first thirty years of its life, it has since set out to broaden its coverage of the building industry and of the country by getting into other lines. Even during the depression expansion went on, thanks to a strong treasury and a steady purpose. Between 1933 and 1935 new acquisitions included roofing plants in Indiana and Minnesota, a lime business in Texas, an insulating board plant in Missouri, a felt mill in New York, and an asphalt roofing factory in Canada. Such purchases, together with construction of its own, have kept the plant and equipment well up to the task of retaining the lead in Gypsum's own specialties while branching out into complementary lines.

Expansion can be a dangerous game at certain times, though, and when this company chose 1929 as the year to build several new plants, in order to be well-situated in the big cities where building was flourishing, it appeared that daring was about to be penalized. But, surprisingly enough, profits in 1930 were actually above those of the previous year. They dropped soon thereafter, yet U. S. Gypsum was the only first-rank building material company to earn money and pay dividends straight through the depression. Something of the similarity between the two cases must have been apparent

to Montgomery Ward directors when they called Sewell Avery in to the rescue. Ward had expanded too well, Gypsum wisely. Ward pulled through with Avery's help and made a great comeback, but Gypsum had never been in danger even when its volume fell in 1932 to 40 per cent of levels reached before the construction program had been begun.

At the worst of the depression it was calculated that this company's pay-point was situated somewhere around 14 per cent of its capacity; that it could show profits when over four-fifths of its productive powers lay idle. One reason for this ability to resist hard times is the conservative capital structure. Of the twenty million dollars spent for new property in the last eight years every penny came out of earnings and not a bank loan or a trace of debt appears on the balance sheet. A small issue of 7 per cent cumulative preferred stock, non-callable and outstanding in the amount of 78,222 shares, is the only capital obligation preceding the common. There are 1,193,733 shares of the $20 par common stock outstanding, on which dividends of $2.50 per share were paid last year and $2 per share declared so far in 1938.

Working capital which stood at $12,551,000 in 1929 amounted to $18,581,000 as of June 30 last. Cash in the most recent balance sheet amounts to $7,992,000, marketable securities $1,516,000, receivables less reserves $6,084,000, and inventories $6,438,000, making total current assets of $22,030,000. Land, mineral deposits and timber are carried at $11,787,000, after a depletion reserve of $1,083,000, and buildings, equipment and steamers appear on the books at $31,364,000, after depreciation of $19,509,000.

In addition to financial strength and able management Gypsum has been favored by its relative freedom from labor troubles. Most of the processes are highly mechanized, requiring little manual labor, and the plants are scattered so widely that small troubles are unlikely to spread through the organization.

Other assets of no little importance have been the company's well-directed research activities and its good trade relations. Furthermore, the nature of the business and the efficiency of the organization have combined to produce a very creditable rate of inventory turnover. In 1934 sales were $15,950,000 and inventories (averaged between the beginning, the middle and the end of the year) amounted to $3,441,000. Inventories were turned over 4.63 times in that year, or once every 79 days. In 1936, with sales $33,541,000, inventories averaged $4,752,000, indicating a turnover of 7.06 times annually or once every 52 days. Last year, of course, sales started at a very high rate and inventories rose, then the sharp slump in buying made it difficult to prevent goods on hand from piling up in the fall months. Even so, Gypsum's inventory turnover was 5.86 times for the year, once every 62 days.

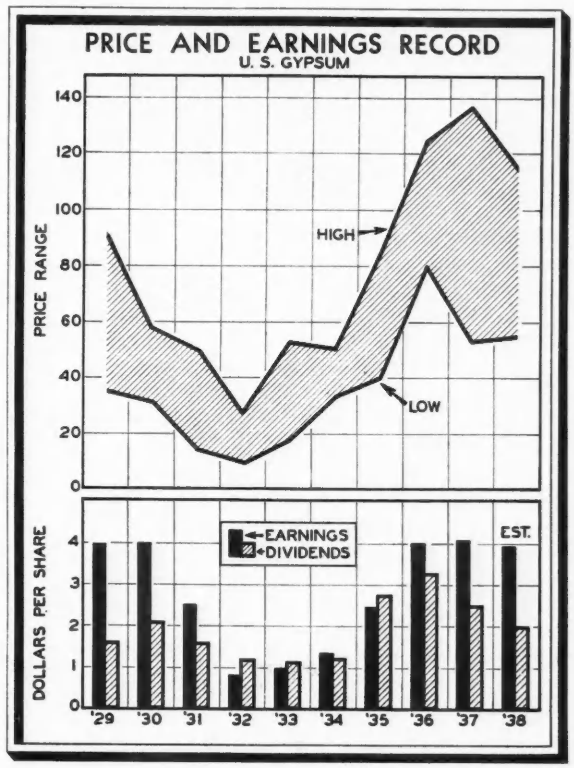
There seems little room for doubt that when building picks up, U. S. Gypsum will not only get its share of the increase but will put the extra volume to good use from the profit standpoint. When and how much can building pick up?

W. C. Bober, writing in the last issue of The Magazine of Wall Street, predicts that public and private efforts combined should result in the construction of 500,000 new homes next year, as compared with barely 300,000 this year, and that a steady pace of 750,000 annually for the ensuing five years would not glut the market. England, he points out, has been building as many homes for each of the last ten years as we are in 1938, and their population is not one-third the size of ours. It is easy to grow enthusiastic on this subject when one considers that estimates on the housing shortage range as high as 5,000,000 units.

Residential contracts in the thirty-seven states east of the Rocky Mountains, according to figures of F. W. Dodge Corp., ran well below those of a year ago in the first two quarters of 1938, but in the third quarter they registered an increase of 30 per cent over the corresponding period in 1937. The F H A has been showing what must be called enormous increases in its mortgage insurance, and although this is not the healthiest type of growth, since it represents more or less artificial stimulation, it appears to have a good chance of developing into proportions which would mean a great deal to the building companies.

Industrial construction is fairly sure to follow business activity upward, particularly if long-term confidence also shows signs of encouragement, due to political or other developments. Public works are a good bet to hold above the levels they maintained during the last building boom.

Now let us apply these prospects directly to U. S. Gypsum. In 1925 and 1926 the company earned at the rate of $6.60 per share on the amount of stock now outstanding. But in those years it had barely started its program of broadening coverage of the field and more extensive drive on operating costs. New plants since built permit shipments of raw materials entirely by water in many cases, with *(Please turn to page 226)*



Changing Dividend Policies — Companies With Outstanding Dividend Records

The Stockholder's Guide

More Stock Dividends

The recent action of Standard Oil of New Jersey in declaring a 1½ per cent stock dividend may be the forerunner of an increasing number of similar declarations by other companies. The reasons which prompted Standard Oil of New Jersey to pay a stock dividend at this time might well be equally valid in the case of numerous other industrial organizations.

Last year earnings of Standard Oil of New Jersey set a new high record and net of $147,993,146 was equal to $5.64 a share. This year, however, profits will probably fall considerably under that figure, owing to the lower average prices of both crude oil and refined products. Nevertheless, earnings would doubtless have been sufficient to warrant the declaration of an extra dividend, augmenting the regular annual payment of $1. Directors in electing to pay the extra dividend this year in stock rather than cash recognized an impelling need to conserve the company's cash. Not that Standard Oil of New Jersey's working capital is in any imminent danger of being seriously depleted but the company is engaged in an extensive program of modernization and the erection of new facilities requiring huge capital outlays.

During the depression of the early '30's Standard Oil of New Jersey was compelled, as a measure of conservatism, to defer all but the most necessitous capital outlays. To quote Mr. Farish, president of the company, "A company which is engaged in the development of a natural resource, such as petroleum, . . . is repeatedly faced with the necessity of providing large amounts of new capital for development if it is to maintain its relative position in the industry. . . . To do this it must constantly strive to improve its products and reduce operating costs. The carrying out of such a policy requires the continuous investment of capital for modernization and the application of new and improved methods"

The company's present plans call for the expenditure of about $195,000,000 annually for maintenance, replacements and extension of plants and equipment. Over the past three years, depreciation, depletion, amortization and retirements have yielded an average of $115,000,000 annually. On the basis of present plans earnings will have to supply an additional $80,000,000 annually. The company's consolidated net earnings over the past three years have totaled $140,000,000. Deducting $80,000,000. there would be left $60,000,000 available for the company's shareholders and minority interests. Over the past three years cash dividends have averaged $82,000,000 annually. To complete its program, the company obviously would be compelled to borrow or conserve cash at the expense of dividends.

The credit of Standard Oil of New Jersey is of the highest and the company would be able to borrow almost any sum on extremely liberal terms. Directors, however, did not feel that it was now desirable to borrow additional funds. Just why the present was not considered a good time to issue additional bonds was not revealed but it is safe to assume that the reasons were good and sufficient—and probably equally applicable to other corporations.

It should not be surprising, therefore, if year-end and subsequent dividend announcements of other companies include a number of declarations payable in stock. Many stockholders are likely to regard such payments as something of a nuisance, or in some fashion adverse to their interests. This is not necessarily true. The stock dividend of Standard Oil of New Jersey has a cash value of about 78 cents a share, which compares with the extra dividend of 75 cents paid last year by this company. Fractional shares will doubtless have a ready market, enabling holders to purchase additional amounts to give them a full share, or to dispose of their fractional shares for cash.

Companies Paying Dividends Throughout the Depression

A surprising number of companies paid dividends to common stockholders right through the depression. Of the companies alone whose shares are listed on the N. Y. Stock Exchange, 132 came through the depression with unbroken dividend records. Actually, however, this was only about 15 per cent of the companies with N. Y. Stock Exchange listings.

True not all of these companies maintained the pre-

depression rate of dividends, while others did not fully earn dividends in every year, but in neither instance was their record any the less impressive when stacked up against the large number of companies whose earnings suffered such a severe diminution that they were compelled to suspend dividend payments entirely. Many of these have not yet resumed common dividends.

A long and unbroken dividend record may be accepted readily as bona fide evidence that that company "has something on the ball." An unbroken dividend record may be indicative of one or many things—all of them important to the common stock investor.

All Industries Represented

It might be supposed that companies which have demonstrated outstanding ability to maintain dividends through a severe and prolonged business depression would have some inherent trait in common. Accompanying this discussion is a list of companies which have paid dividends for at least seven years—most of them much longer. A casual glance at this list will reveal a widely representative list of companies, companies which represent practically every major industrial field. The list might have been enlarged to include a number of public utility common stocks, and even several railroad issues. The point is, however, that regardless of how seriously hit their particular industry may have been by the depression, there were one or two companies which were still able to maintain operations in the black or restrict losses to such insignificant proportions that directors felt justified in maintaining dividends.

While it is true of course that companies identified with such industries as food, tobacco and other items of consumer goods were favored by a more stable demand for their products during the depths of the depression, we find companies with an equally good dividend record among such volatile industries as steel, agricultural equipment, electrical equipment, automobile manufacturing and mining.

The companies with the best dividend record are not always the largest in their field. In fact, some of the smaller units, particularly during a depression period are likely to be at an advantage over the larger ones by reason of their greater flexibility, permitting a more prompt and effective adjustment of their costs and operating activities. Other companies were favored by a sound capital structure, particularly one where funded debt interest and preferred dividends were modest in relation to operating income. A simple and readily supportable capitalization is always desirable, but even this feature was not necessarily a common one among companies boasting a long unbroken dividend record.

Yet all of these companies have some very definite advantage, whether it be skillful management, outstanding merchandising ability, conservative dividend policies, adequate finances or perhaps even something less tangible; but whatever it is it has been sufficient to give them a decided edge over their less favored rivals.

Inherent Advantages

The intention here is not to imply that only the common stocks of companies with an unbroken record of dividends afford the best investment vehicles. If the investor were to confine himself solely to issues which had paid dividends for say at least ten years, it is certain that he would deprive himself of highly profitable investment opportunities frequently to be found in issues with a less impressive dividend background. On the other hand, it *is* certain that if his requirements make it necessary for him to emphasize dependable income, a diversified selection of issues with the best dividend records to their credit for a generous proportion of his portfolio will do much to safeguard his purchasing power, year in and year out.

Risk and speculation and common stocks have a synonomous association. Yet in issues of the type comprising the accompanying list, the actual risk is probably more apparent than real. Holders of these issues in the last depression fared much better than many of the so-called "conservative" investors who held various second grade bonds, mortgages and preferred stocks in their portfolios.

Companies with Outstanding Dividend Records

Company	Current Dividend	Recent Price	Divs. Paid Since
American Can	4.00	98	1923
American Chicle	5.50*	124	1926
American Snuff	3.25*	60	1903
Beech-Nut Packing	5.50*	115	1902
Best & Co.	2.32½*	52	1927
Coca-Cola	4.50*	133	1920
Corn Products Refining	3.00	65	1920
Diamond Match	1.25	29	1931
Eastman Kodak	6.50	180	1902
General Electric	0.90	42	1899
General Mills	3.00	69	1928
General Motors	1.50	49	1915
Ingersoll-Rand	5.50	108	1910
International Business Machines	6.00†	177	1916
International Harvester	2.15	60	1918
Monsanto Chemical	2.00	103	1925
National Lead	0.50	27	1906
National Steel	1.00	78	1930
Owens-Illinois Glass	1.50	70	1907
J. C. Penney	2.50	80	1926
Procter & Gamble	2.00	56	1891
Standard Oil (N. J.)	1.00†	52	1882
Union Carbide & Carbon	2.40	86	1918
United Fruit	3.00	60	1899
U. S. Smelting, Refining & Mining	4.00	64	1925
F. W. Woolworth	2.40	50	1912

*—Including extras. †—Plus stock.

Profits from Painters, Printers, Plumbers and Potters

National Lead's Many Outlets Assure Full Participation in Coming Recovery Movement

BY HENRY RICHMOND, JR.

INVESTORS looking for a "special situation" will find nothing to interest them in the National Lead Co. It has no new product on the verge of commercial production which will double next year's profits. There is no vital lawsuit on which a favorable decision is likely. No truly important merger or acquisition can be seen in the offing. Yet, if the National Lead Co. has nothing to attract those who are looking for spectacular special developments, it has a great deal that is interesting to those who believe that there is to be additional improvement in general business next year and who further believe that full participation in such improvement is all that can reasonably be expected of any company.

Possibly less well known than some other companies noted for diversity of outlets, the business of the National Lead Co. nevertheless rests on an amazingly broad foundation. It is not essentially a miner of metal like the St. Joseph Lead Co., but is a fabricator of lead, its alloys and its compounds and produces in addition many different products which are allied to lead in use. Normally, the owner of developed real estate is National Lead's most important customer. It sells him all kinds of painting materials—white lead, colors, linseed oil and other oils. It also sells him titanium pigments which, although they do not wear as well on exterior surfaces as white lead pigments, "cover" better, are non-poisonous and do not discolor in the presence of sulphur fumes. For the owners of industrial real estate, the National Lead Co. provides red lead and there is hardly a metal bridge, smokestack or roof which is not periodically protected with this pigment. Painters' materials are sold under the famous "Dutch Boy" trademark.

While the maintenance of existing structures uses more lead than new construction, the latter is by no means negligible when building activity approaches even a conservative normal. In addition to painters' materials, new construction increases the demand for lead pipe, lead traps and bends, sash weights and sheet lead and solder, all of which the National Lead Co. is in a position to supply; and building is now pointing up.

Industrially, lead is a most important metal. It is widely used in acid manufacturing for lining tanks, valves, pumps and like equipment. Its alloys are almost the universal bearing material in automobiles and in machinery. Babbit metal is a lead alloy. Lead batteries are far commoner than any other kind. Most of our printing is done from type which is largely lead. Then there are the lead compounds which are virtually industrial chemicals—litharge, glassmakers' oxides, rubbermakers' oxides, enamelmakers' oxides and potters' oxides. True cut glass is essentially a "lead glass." Pottery and china are frequently glazed with lead. For all of these uses, and more besides, the National Lead Co. is able to provide the appropriate material.

National Lead's recent record of earnings is as one would expect of a company as dependent upon general business activity as this one. The first six months of 1937 was a most satisfactory period. Tonnage sales were 19 per cent higher than in the first six months of 1936, while the net profit of $5,192,266 was equivalent to $1.36 a share of common stock, after allowing for preferred dividend requirements. It was, however, quite a different story for the final six months of last year. A comparison of monthly sales became progressively worse. December sales were hardly more than half those of December, 1936. All-in-all the second half of 1937 dragged down tonnage sales for the full year to within one-half-of-one per cent of 1936. Partly as a result of the sales' decline in the second half and partly because it was found necessary to make substantial adjustments in the value of inventories at the year-end, the net profit for the full year 1937 became equivalent to 94 cents a share of common stock, whereas $1.36 a share had been reported for the first six months.

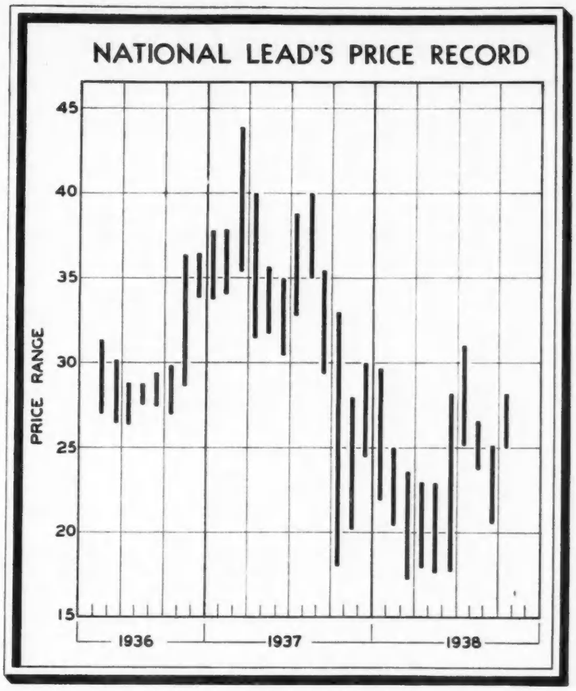
The report for the first six months of the present year showed a net profit of $1,804,864, after federal taxes, depreciation and depletion. This, after preferred dividends, was equivalent to 27 cents a share on the common stock outstanding in the hands of the public and,

while it was a great improvement over the loss reported for the final half of 1937, it made a sorry showing with the first half of the previous year. Probably, the latest figures reflect much less business improvement (compared with the six months immediately preceding) than they do the lack of inventory write-downs such as were taken at the end of 1937. When the results for the present six months are made public, however, they should reflect real, rather than bookkeeping gains, and one may confidently expect National Lead to cover with a good margin to spare its modest common dividend of 50 cents annually.

There is quite a story in the manner in which National Lead has maintained without downward revision this same dividend rate. It is a story which shows better than anything else the company's attitude towards its stockholders—an attitude established by the late Edward J. Cornish to whom the National Lead Co. is a monument. In 1929, adjusting for the ten-for-one split which was effected subsequently, National Lead earned the equivalent of more than $2.50 a share on its common stock. Stockholders, however, received only 30 cents extra in addition to the regular payment of 50 cents. But at the worst of the Hoover depression in 1932 and 1933, when businesses were crashing right and left and not even the National Lead Co. was earning the equivalent of 50 cents a share, stockholders were officially informed that only the direct necessity would bring about a reduction in the dividend that the company had set itself to maintain. Assuming that there has been no change of policy—and there is no reason to suppose that the present officials who have been brought up in the tradition of National Lead *would* contemplate any change—an investor can be as sure of this company's 50 cent dividend as he can be of almost any other common dividend. By the same token, however, he cannot expect extras or a higher rate immediately upon an improvement in earnings. This may appear disadvantageous to some who feel that such a payment is small on a stock selling for $27 a share, but others, remembering how the ploughed-back earnings of the past have enhanced their equity, will be content to let their investment in National Lead work itself out over a longer period.

On the other hand, not even the patient can look with complete equanimity at a security over whose market a large block of stock hangs for sale and before going further let us touch on this point as it affects National Lead. Mr. Cornish was a large stockholder in the National Lead Co. and on his death this past spring the question naturally arose as to the disposition that would be made of his holdings. The market is not normally a broad one in any of this company's securities and it was feared that the sale of between 150,000 and 200,000 shares of common might act as a depressant for some time. While there was undoubtedly some justification for this expectation during the past six months or more, it is believed that there is no longer cause of alarm, for it is understood that the greater part of the stock in the Cornish estate has been taken care of at private sale and that it will not come on the market in the near future.

Subject to current liabilities and the claims of the class "A" and "B" preferred, ownership of the $100,000,000 National Lead Co. lies with those who hold the 3,095,100 shares of common stock which is of $10 par



value. Of the "A" preferred, 243,676 shares have been issued and of the "B" preferred, 103,277 shares. Both preferreds are of $100 par value and of the issued stock the company itself owns 29,883 shares of the "A" and 25,815 shares of the "B".

Financial position is strong. At the end of June, last, current assets, including some $7,500,000 in cash and marketable securities, totalled $35,600,000, whereas current liabilities were less than $5,000,000. Inventories account for some $20,400,000 of the current assets and owing to the unusual manner in which the company handles this item it is deserving of further mention. Because of the long time which it takes to process many of National Lead's finished products, inventories must at all times be large. Hence, argues the company, if inventories *must* at all times be large for it to stay in business, it is foolish to consider them subject to close-out and have earnings fluctuate wildly in accordance with year-end inventory valuations. In order to minimize the fluctuations in earnings resulting from inventory adjustments, the company carries 49,687½ short tons of lead at 3 cents a pound, 1,124½ short tons of tin at 21 cents a pound and 259 short tons of antimony at 5 cents a pound. These it considers "normal" stocks and neither the quantities nor the price are subject to change except under the most unusual circumstances. Inventories in excess of "normal" are valued in the customary way at cost or market which ever is lower.

If there is any fault to be found with this method of handling inventories it is that the National Lead Co. does not carry it far enough relative to the size of today's business. Adding up "normal" inventory, it will be noticed that it accounts for less than a fifth of total inventory. Further, it will be recalled that inventory write-downs were a material factor in the loss reported for the last half of 1937. Had the "normal" inventory system been working effec- *(Please turn to page 226)*

As the Trader Sees Today's Market

Fastest Movers in Six Leading Groups

BY FREDERICK K. DODGE

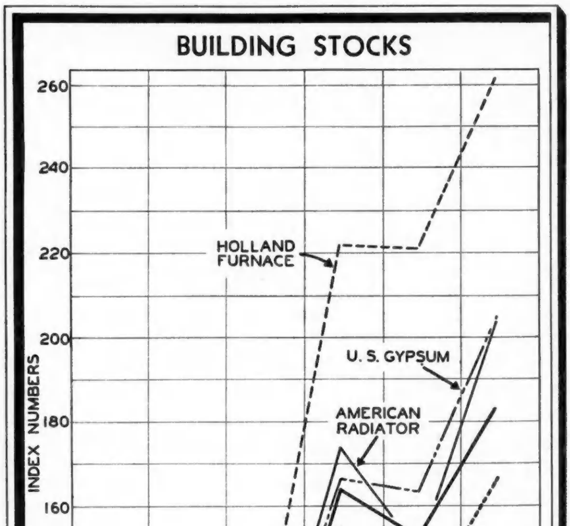
ACTION in one or several legs of a bull market does not stamp an issue forever with characteristic patterns to which it must conform. Stocks cannot be classified and put permanently into pigeonholes labeled fast-movers or slow, late or early. But as a matter of current information, a tremendous lot can be learned about what is going on in the market and what is likely to happen next merely by digesting the very recent past. Even superficial study of comparative action is bound to improve the trader's sense of values; beyond that, it is up to the individual how far he is to push in the search for the buying and selling spots—for better timing.

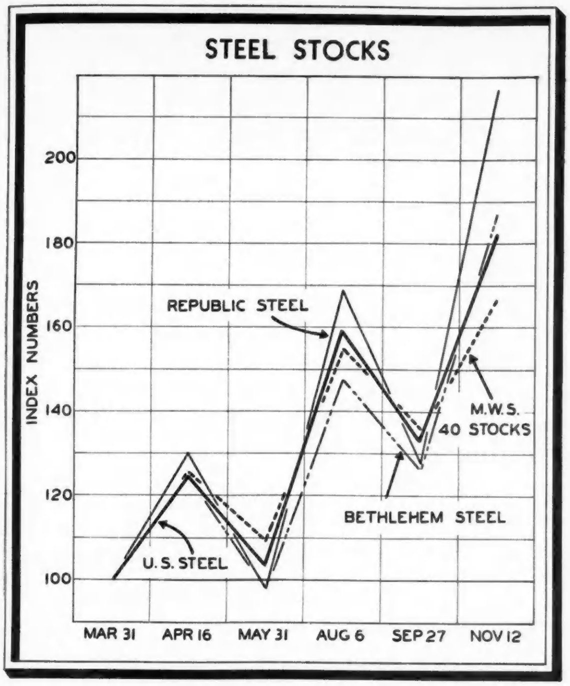
Suppose we take representative issues in six groups, the steels, motors, electrical equipments, metals, building, and chemicals. Three groups are shown in the charts on these pages; the balance are General Electric and Westinghouse as the electrical equipments, Anaconda, American Smelting, Inspiration, Kennecott and Phelps Dodge as the metals, and Air Reduction, Allied Chemical and Union Carbide as the chemicals. Now the only practicable way to compare stocks selling anywhere from 4 to 125 is to reduce them all to a common basis, say by starting them off at 100 on March 31, the low of the year, so that all percentage gains or losses will be given equal weight. Notice how the swings in Allied Chemical and Republic Steel gain significance when adjusted in this way:

	Mar. 31	Apr. 16	May 31	Aug. 6	Sept. 27	Nov. 12
Actual Prices						
ACD	125	149	137½	180	173	193
RS	11¾	15⅜	11½	19⅞	15	25½
Adjusted Prices						
ACD	100	119	110	144	134	155
RS	100	130	98	169	127	216

The example used here was chosen only partly to show how price disparities can be overcome, and also to bring out two other facts, one of which may be surprising. In the first place, we see the difference in speculative flavor by comparing strength on the upswings with resistance to declines. Allied Chemical was rather sluggish in the rally from the end of March to the middle of April, Republic Steel registering a gain fifty per cent larger. On the subsequent decline, however, Republic lost all of its gain and a bit more while Allied held over half of the advance. The same thing happened in the next climb to the August high in the averages; Republic forged ahead with a gain over fifty per cent larger than that of Allied Chemical. Likewise in the selloff which ended late in September, the investment issue showed its quality by holding above the speculative favorite, and again in the advance to the recent high point the distinction between the two stocks was clearly brought out.

Allied Chemical has no bonds or preferred stock ahead of the common, in distinction to "Rebecca," and the





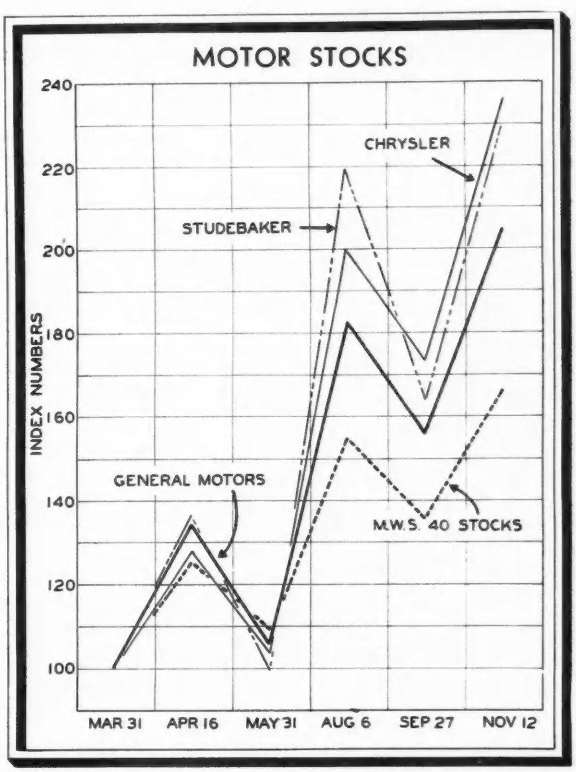
type of owners and the purpose for which it is held are further reasons why Allied should resist better but follow an advance less aggressively. The actual extent of this difference is ordinarily obscured, though, by the difficulty of comparing two such figures as 193 and 25½—their market prices on November 12.

A more illuminating fact is that one of the requirements which so many observers consciously or otherwise lay down as necessary to predict good performance is definitely unfulfilled in the case of Republic, yet the stock has since shown much greater than average strength. Our average of 40 stocks, adjusted to a comparable basis, started at 100 on March 31, rallied to 126, then dipped to 109. It retained approximately one-third of its gain, thereby indicating in a mild way an upward tendency. Republic, on the other hand, could not hold any of its gain at this point, sinking back lower than it had been at the end of the first quarter. Yet on the rise to August, when the adjusted average went to 155, Republic went higher, and on the further push to 166 in the average last month Republic climbed to 216, a gain of 116 per cent as compared to 66 per cent in the average. Bethlehem Steel, Anaconda and Kennecott were others to exhibit the same sign of presumed weakness in the May decline, only to follow with gains well above the average. The conclusion must be that while resistance to a decline is interesting and somewhat encouraging, it is far from a dependable indication of future dynamic rallying power.

A better way of gauging possibilities of future strength is by studying action on the *upside,* rather than the downside. For example, of the seven issues in our list of twenty which rallied most decisively between the middle of April and the end of May, only about half showed good resistance to the two declines following, yet all of them were well above the average when the highs were made in November, and among them they registered the three largest net gains for the whole period of any of the issues studied. Although the first gains were in some cases entirely or nearly cancelled by the first reaction, the signs of strength recurred as soon as the general market trend permitted. In other words, buying opportunities were available after the indications of relative strength had been given.

Among the metals examined, the fastest movers over the last eight months have been Inspiration and Phelps Dodge, with American Smelting in third place. Traders will naturally differ in their tastes as to individual issues, some demanding greater intrinsic value and less speculative flavor than others, but solely on the basis of speed on the upside these are the leaders. In the steel group Republic has shown the widest and fastest recovery, with Bethlehem a poor second. Chrysler led the motors, followed closely by Studebaker with General Motors close behind. Westinghouse has been faster than General Electric, presumably to some extent because of short covering, as was the case in Chrysler. Holland Furnace, however, led the building stocks and Johns Manville was the slowest of the four issues examined, though the outstanding target in the group for short selling. Air Reduction was the only one of the three chemicals to move more rapidly than the average, and that by a very narrow margin.

Of all the groups the chemicals made the poorest recovery from their March 31 levels, failing to catch up with the 40-stock average on either rallies or declines since then. This is understandable, of course, in view of the investment quality of the issues. Perhaps the first phase of the bull market, where values are restored to a reasonable basis, has now been passed; in that case chemicals and others of the same (*Please turn to page 230*)



New Markets Unfold for Glass Companies

Upturn in Motors and Building Stimulates Sales

BY C. L. HARGREAVE

GIVEN time, the effects of spun glass upon industrial progress may be amazing. Not that adopting flexible glass to fit the needs of industry is the only forward step the glass makers are taking or even the most important one—glass buildings are making their appearance, those neat colorful store fronts you've admired are the work of glazers—but textile glass is the thing that grips the imagination. Not only the casual observer's but those of hard-headed engineers in large corporations, men with a problem to lick.

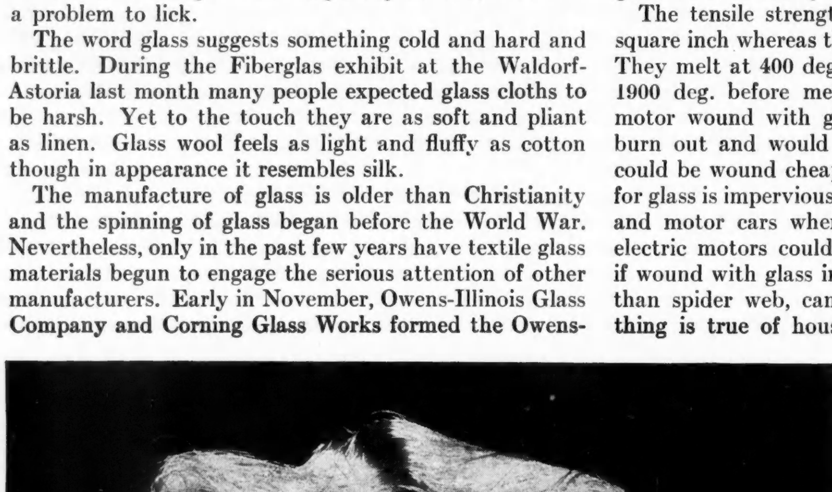
The word glass suggests something cold and hard and brittle. During the Fiberglas exhibit at the Waldorf-Astoria last month many people expected glass cloths to be harsh. Yet to the touch they are as soft and pliant as linen. Glass wool feels as light and fluffy as cotton though in appearance it resembles silk.

The manufacture of glass is older than Christianity and the spinning of glass began before the World War. Nevertheless, only in the past few years have textile glass materials begun to engage the serious attention of other manufacturers. Early in November, Owens-Illinois Glass Company and Corning Glass Works formed the Owens-Corning Fiberglas Corporation, having first spent some $5,000,000 in joint research and development. The stock was not offered to the public, perhaps some evidence of the faith in the new company's progress by its two owners.

No attempt will be made to clothe the world in glass. Organic textiles are too cheap and are easily dyed and printed. The glamor in glass may be in a striking evening gown but the money will be made in insulation.

The tensile strength of glass tape is 250 pounds per square inch whereas that of other insulators is 50 pounds. They melt at 400 deg. F. and glass insulation can stand 1900 deg. before melting. A 100 per cent overloaded motor wound with glass fibre insulated wire, wouldn't burn out and would be less liable to arc or short. It could be wound cheaper and it would stand more abuse for glass is impervious to moisture and acids. In airplanes and motor cars where space is important, the size of electric motors could be reduced as much as one-third if wound with glass insulation because strong fiber, finer than spider web, can be drawn from glass. The same thing is true of household appliances such as vacuum cleaners. Electrical cables on ships wouldn't be gnawed at by rats as they were on the U.S.S. Colorado some years ago, causing serious delay and suspicions of sabotaging. As to the tensile strength of glass thread, it compares favorably with steel.

Then there is insulation against heat or cold, as a competitor of asbestos and cork. Here glass wool loose, or in blankets, is used. The weight is light, an important consideration in aircraft and shipbuliding. Steam turbine efficiency and boiler efficiency could be increased with better insulation and compact efficient insulation has been one of the problems of refrigeration. Other important uses are as filters, tire casings where glass fiber supplants cot-



Courtesy of Owens-Corning Fiberglas Corporation

One of the pure glass marbles at the right weighs one quarter ounce. When melted and broken into a single fiber it will measure about 98 miles long.

ton, and as curtains and draperies in theaters, hotels, and ships, where fire hazards are vital considerations. And a new market, now undergoing experiment, as a lining in shoes. We may indeed tread on glass.

Libbey-Owens-Ford, who pioneered laminated or safety glass, is also expanding its markets. Advertising campaigns have been conducted to sell the public the idea of double windows. And a good deal of success has been attained in introducing special glasses such as Vitrolux, a heat-strengthened colored glass for store fronts.

Corning Glass Works, a privately held company, has pushed the sale of glass blocks and fiber glass mulch, a wool-like material for protecting plants and shrubs during winter. Their own five-story building, made of glass, stands at Fifth Avenue and 56th Street, New York City.

A few years ago a great deal was heard of the inroads beer cans would make upon the bottle end of the business. Actual results in 1937 were 10 per cent of packaged beer in cans and 90 per cent in bottles. The explanation may lie in the fact that the cost to the brewer is less in bottles, for there are returns, whereas a can is used only once.

Currently, the entire glass industry is operating at the best levels of the year. In the spring and summer lower automobile production tended to reduce flat glass sales but now with building construction and automobile manufacturing both steadily rising the fourth quarter will probably be the best of the year, especially for flat glass and pressed and blown glassware. Plate glass sales were also aided by the New England hurricane. Of course, the promising outlook for motors and building is most favorable to such companies as Pittsburgh Plate Glass and Libbey-Owens-Ford.

Grouping all classifications together, about 50 per cent of the dollar volume of business in the industry is in containers—bottles, jars etc.—about 25 per cent is in window and plate glass, and the balance in miscellaneous uses. Of the container division itself, the breakdown shows about 40 per cent are food containers, 33 per cent drug, and the rest, except for a negligible amount, beverages.

From the foregoing it is apparent that the most stable end of the glass industry is the container division. Another consideration is that container labor organizations are largely dominated by the A F of L whereas the C I O's stronghold is plate glass. It is worthy of notice that although C I O labor trouble tied up flat glass production in 1936, there has not been a strike among container workmen in thirty years.

In estimating future markets, the sale of bottled milk is fairly constant, rising, of course, with increasing population. While no figures are available, it is not believed that paper milk containers will capture a substantial part of the market. Beer consumption is not expected to attain the high per capita ratio that prevailed before prohibition. On the other hand, per capita consumption of liquor is still slowly rising and is already well above pre-war figures percentage-wise. Drug container sales reflect, more than other classifications, a rise or fall in national income, but are not usually subject to wide variations. The growth of super-markets and the considerable increase in delicatessen stores in the last few years have helped food container sales for glassware makes attractive merchandise and the emphasis is towards neatness and brightness in retail merchandising. There is also the propensity of American housewives to save jelly glasses and the like, and to favor glass-packaged goods on that account.

Courtesy Pittsburgh Plate Glass Co.

Grinding plate glass

A graph of flat glass sales shows wider swings for it is dependent mainly upon the trends of building construction and automobile production. This is not necessarily a deterrent to a potential investor for flexibility provides buying and selling opportunities. The outlook for the individual glass companies will be discussed later on in this article.

The glass industry has been investigated by the Federal Trade Commission and the National Economic Committee and hearings (*Please turn to page* 230)

Status of the Leading Glass Companies

Company	Earnings 1937	Earnings 9 Months	Recent Price	Dividend
Hazel-Atlas	6.67	4.97f	107¼	5.00
Libbey-Owens-Ford	4.19	0.17	54¼	1.25e
Owens-Illinois	3.51	1.91f	70¾	1.50e
Pittsburgh Plate	8.53	....	108½	1.75e
Thatcher Mfg.*	4.47	1.68	24	0.75e

*—Bottle manufacturer. f—12 months ended September 30. e—Paid so far this year.

For Profit and Income

Copper Restrictions Restored

Official announcement of the restoration of restrictions on copper production by the foreign cartel will be beneficial to American copper companies for foreign and domestic copper prices were widening to the point where some cut in the domestic price was probable. A small cut may still come but the downward trend abroad has reversed. The foreign cartel decreased production restrictions from 95% to 105% in October and then removed them entirely on October 15. The new restrictions effective January 1, are 110% of the basic quotas.

Trade Treaties

The new trade treaties with Great Britain and Canada comprise some 3,000 items—170 pages of printed matter which weigh about one pound—too vast a field for more than brief mention here. Generally, they should prove beneficial to American producers of office equipment, machinery, pork products (we imported pork in 1937), fruits, and grains. They will adversely affect fisheries, cotton and woolen fine textiles, clothing, leather products, dairy products, and to some extent coal.

Diversified Phone Company

More than half of International Telephone & Telegraph's 1937 revenues came from manufacturing. The company has factories in England, France, Germany, Belgium, and Australia and makes so many electrical products used by aviation and other military branches that it may be called a beneficiary of rearmament in this country and abroad. The Spanish war and the war in China have at times injured the telephone business but the loss in phones in service has been partly counterbalanced by gains in South America. Continuing its profitable diversification policy I.T.T. has just announced contracts with the Gibson Refrigerator Co., of Greenville, Mich., the Mills Novelty Co., of Chicago, and the Baker Ice Machine Co., of Omaha, for furnishing Europe with electric refrigerators and air conditioning products.

Vulnerable Aircrafts

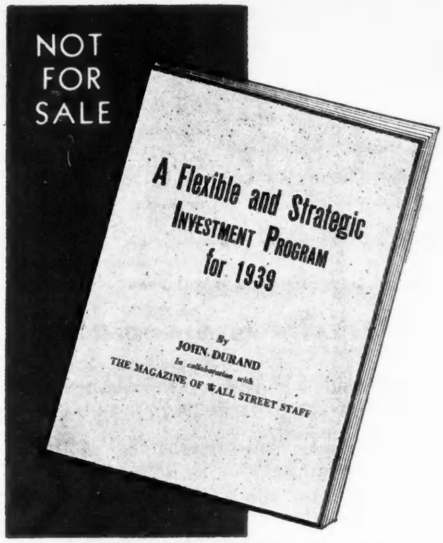
Demands of the rearmament program are bound to result in continued large orders for aircraft and earnings prospect for most companies in this industry are highly favorable. It is a question however whether the market has not liberally discounted them. In the last several weeks aircraft stocks have been bid up enough to make them technically vulnerable and considerable correction seems necessary before much higher prices can be looked for.

Goodyear

Goodyear Tire & Rubber keeps whittling down its fixed charges, thereby helping the common stock. Calling $52,365,000 5s while selling $40,000,000 3½s and borrowing $10,000,000 at 2½% saves $1,000,000 interest charges per year or 50c a share on the common. Prior to the present refunding Goodyear had reduced fixed obligations, senior to the common, over $37,000,000.

All Ears

Columbian Carbon raised rubber carbon black prices for 1939 ½c a pound above the present price of 2¾c a pound. * * * The Stock Exchange is investigating the trading in Dunhill International. On November 15 it was announced that Philip Morris would manufacture a new blended cigarette which would be introduced by Dunhill and would retail at the same price as other leading brands. That day DHI sold at 7¼ and traded 300 shares. November 23 it traded 24,000 and reached 16¼, an eight-year high. The road from the introduction of a new cigarette to profitable operations is a long and difficult one. Philip Morris made it but you hear less of Wings and Twenty Grands, not to mention Barking Dogs, Favorites, Omars, and many others. * * * Some chart readers claim there is distribution going on in Greyhound despite excellent World's Fair prospects. Earnings are good but rail competition may grow stiffer. Greyhound Corporation plans to issue 150,000 new shares to purchase another bus line. * * * Two companies that stand to gain from naval expansion are Bethlehem Steel and Electric Boat. * * * Delaware & Hudson's October net was the best in several years. * * * Tape watchers used to notice that when the gold stocks bucked the trend or rose alone in a quiet market the rest of the list sold off. Now it is the aircrafts in-



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• CONTENTS •

Background

—Pattern of this recovery market.
—Why these times demand new investment technique.
—Hazards to watch for . . . political, international, monetary, . . . with particular reference tc nationalism, foreign trade competition and currency devaluation.

Part I—Wisest Investment Policy Now

—Allocation of funds . . . balanced diversification . . . inflation hedges . . . investment and speculation percentages.

A—Selection of Mediums for Individual Needs

—The place for high grade bonds . . . and why.
—For convertible bonds . . . and why.
—For preferred stocks . . . and why.
—For common stocks . . . and why.

B—Necessity for Rotation in Various Industries

—Group movements in various phases of economic cycles . . . leaders and laggards.
—Vulnerability of certain industries under government regulations and because of labor and raw materal costs.

Part II—Selection of Industries and Companies

—Essential points of strength and weakness identified.
—Comparison of the individual issue with the ideal medium.

A—How to Rate Industries for Dynamic Growth

—Durable goods . . . consumer goods.
—Beneficiaries of rearmament . . . industrial expansion.
—New inventions . . . new products . . . new developments.

B—How to Rate Companies for Profit Prospects

—"Out of line" bargains.
—Times-earnings ratio . . . Leverage.
—Profit margins . . . Inventory position.
—Dividend policy . . . Management.
—New financing . . . Expansion needs.

Part III—Timing Your Buying and Selling

—When to contract your position to minimize depreciation through corrective declines.
—When to expand your position to participate in important advancing phases.

A—Factors to be Weighed and Recognized

—Judging intermediate tops and bottoms.
—Accumulation and distribution.
—The business-market ratio.
—Stop-loss limits; when to use and where to place them.

Part IV—A Flexible and Strategic Investment Plan for 1939

—Applying the principles outlined.
—The ideal portfolio for capital growth . . . for income.
—Adapting it to your individual needs, capital and objectives.
—Maintaining flexibility for subsequent changes determined by basic, industrial and company situation and outlook.

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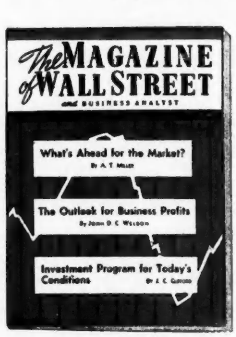

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stead of the golds. * * * Quite often the following procedure takes place: In the early stages of an upward swing of several weeks duration the pivotal stocks do the best. Later, the market grows selective and rails take the lead. Still later, oils and utilities. At the tail end are the aviations and the so-called cats and dogs. * * * The time to buy cats and dogs is when the market is sagging along on the bottom. * * * Patents have been granted to a Louisianan on a new paper made from starch, beans, and seaweed. The sheets are transparent, flexible, resist moisture, look like cellophane and can be used for the same purposes. * * * Eighty per cent of the wealth of German Jews is in real estate. Therefore most of the money raised for "fines" will not come from the liquidation of securities. Should forced sales break down land values the whole affair may prove to be a serious boomerang to an already shaky German economic structure.

Developments in Companies Recently Discussed

General Electric Company has completed 155,000 radio receiving sets out of a total order of 250,000 for New York Edison. General Electric has also cut incandescent lamp prices from 12% to 20%.

National Gypsum Company plans to list 60,000 shares of convertible cumulative $4.50 preferred and 100,000 shares of new common. Part of the common will be offered to employees at $15 under an employees' stock purchase plan. The remainder and the preferred will be offered to the public through a syndicate. The proceeds will be used to retire the $100 par 7% cumulative first preferred at 105 January 1, and the 5% second preferred at 20 January 1, 1939. $900,000 of the new funds will also be used for plant expansion.

Dow Chemical Company and Great Western Electro-Chemical Company stockholders will vote on December 22 on the proposed merger between the two companies. Under the plan the $20 preferred stock of Great Western will be exchangd for 3/16 of a share of Dow common, and each share of Great Western common will be exchanged for one share of Dow common. If approved by two-thirds of the stockholders the merger will become effective December 31. The resultant company will be called Dow Chemical Company.

United Corporation plans to become an underwriter of new securities. Forced to dispose of its holdings in utility companies above 10% of the voting interest, United's present cash position of $10,000,000 may reach $25,000,000 and the corporation's officers expect to recruit a staff and make use of their large capital.

Monsanto Chemical Company has filed with the S E C a registration statement covering the issue about December 8 of 50,000 shares of no par $4.50 cumulative preferred. The proceeds will be used for plant improvement, replacements, etc. Monsanto earned $1.36 per common share the September quarter against $3.59 in a like period last year. The dividend on the new total preferred was covered about 6½ times by earnings in the last twelve months.

Leading Armament Manufacturer

Perhaps the largest armament manufacturer in the country is Midvale Steel, subsidiary of Baldwin Locomotive Works. Midvale produces guns, armor plate, gun forgings, castings and parts used in shipbuilding, and a number of articles such as turbine blades used by utilities. In any rearmament plan Midvale's plant capacity and gun-building experience are of vital importance. Midvale will probably be the only large steel company to record 1938 earnings only slightly below 1937. In the fourth quarter last year Midvale set aside $330,814 for possible back taxes and refunds under the Vinson-Trammell act for the whole year, leaving an indicated net of $140,000 for the December quarter. This year similar provisions should be considerably smaller because recent Treasury rulings have increased the amounts that may be properly charged off as expenses. Full year earnings are estimated at $5.50 per share for 1938 against $6.71 in 1937. Declaration of a $2.50 dividend last week brought total dividends this year to $5. Sixty-two per cent of Midvale's 200,000 outstanding shares are owned by Baldwin. Midvale is currently selling on the New York Curb at 102 but is a relatively inactive stock. The better medium for speculation is probably Baldwin, particularly the Baldwin 6s of 1950 which are convertible into 65 shares of common until 1945 and are thus able to reflect the excellent long-term prospects of both Midvale and Baldwin.

Anti-Aircraft Guns

Colt's Patent Firearms is the leading private anti-aircraft gun producer, the major portion of our anti-aircraft guns being made in government arsenals. Colt recently received army machine gun and anti-aircraft contracts totaling $2,443,000. In the current quarter directors declared a $2 extra in addition to the regular dividend of 50 cents.

Rail Prospects

Holders of rail securities should feel a little better about the prospect. Traffic volume is gaining moderately, freight rates are slightly higher and economies in operations are showing up in earnings. Compared with the unfavorable last quarter of 1937 the closing three months of this year should show a substantial gain in net operating income for most roads.

Machine Tool Makers Helped

Among the industries which will be favored by the arms program now getting under way are manufacturers of machine tools. Niles-Bement-Pond, National Acme, and Ex-Cell-O Corp., should be among those to do well.

Leaders in Producing Profits

Companies with Outstanding Records in Management, Competitive Progress and Earnings

BY EDWIN A. BARNES

IN practically every industry there can usually be found at least one company which consistently is able to record outstanding achievements in one or more phases of its activities. Such companies are not necessarily the largest in point of size, but favored by a combination of circumstances their record has been none the less impressive. An ability to develop earning power consistently better than the average for their industry, sustained competitive progress, a sound capital structure, outstanding manufacturing technique and efficiency, skillful and foresighted management and internal flexibility are some of the distinguishing features of this group of companies. As a result many of these companies, in their respective fields, may justly be said to rank "head and shoulders" above their rivals.

Superior Investment Issues

As might be expected, the shares of these companies have gained considerable investment favor, to a point, in fact, where the market is willing to evaluate their superior industrial performance at a fairly generous premium. To the investor, however, who prefers the degree of assurance afforded by these companies, rather than the greater speculative risks involved in the more volatile issues of marginal or less consistently dependable companies, the market premium can be readily justified.

The various companies which have been singled out for special mention in this discussion are by no means the only ones with distinguished records to their credit. All of them, however, are typical and several of them, currently favored by a promising background, commend themselves to investment consideration.

There are few companies which, in good times and bad, can boast a better record of earnings than Beech-Nut Packing. Over the past ten years, the company has shown average earnings of $5.28 a share on its shares. During the same period dividends averaged $3.89 annually.

With a line of food products comprising a wide variety of items including hams and bacon, jellies, spaghetti, crackers etc., Beech-Nut is primarily a food processor and merchandiser. The company's success, however, in popularizing its line of chewing gum and other confections has undoubtedly contributed substantially to the volume and stability of earnings in recent years. Capitalization is simple, consisting of 437,524 shares of common stock, preceded only by 45 shares of preferred stock. Financial position is exceptionally strong. In the first nine months of this year net was equal, after preferred dividends to $3.99 a share for the common, comparing with $4.51 a share in the same months a year ago. For all of 1937, per-share earnings totaled $6.26, and for this year promise to be upwards of $5.50. This prospect is substantiated by the recent declaration of a 50-cent special dividend, bringing total payments this year up to $5.50 on the common stock. Last year dividends totaled $6 a share. While devoid of those elements which might result in spectacular market gains, the company's shares readily qualify as one of the more conservative common stock investments.

One of the most impressive earnings performances to be turned in this year has been that of Climax Molybdenum. Up until the end of September the company had earned the equivalent of $2.09 a share on its capital stock. In the same period a year ago, earnings were equal to $2.12 a share. Moreover in the September quarter earnings were equal to 87 cents a share, as contrasted with 43 cents a share in the June quarter and 52 cents in the September quarter last year. The company's ability to show current earnings on a par, and better, with last year, despite the sharp slump in general business activity during the first seven months, may be attributed to the company's possession of some 80% of the world's known supply of molybdenum. Molybdenum has important alloying qualities and its use as such has expanded vigorously over the past several years. Rearmament activities have largely been responsible for a substantial gain in the company's foreign shipments.

Record Earnings

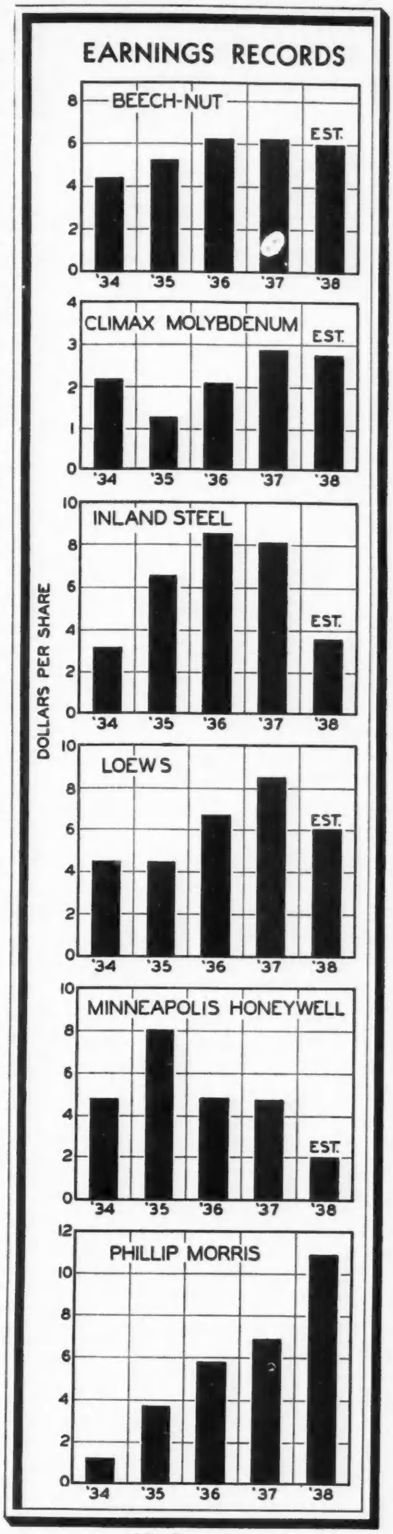
Its uses, however, are by no means confined to armament supplies. Last year Climax's earnings were the largest in its history. Net available for the 2,520,000 shares of stock comprising the company's entire capitalization was equal to $2.85 a share. Especially noteworthy was the company's ability to carry 40% of net sales to net profit. Dividends

have been paid this year at the rate of 30 cents quarterly. With every indication that rearmament activities will become even more intensified, coupled with the rising trend of business activity in the United States, earnings of Climax Molybdenum would appeared assured of further important expansion.

Loew's Inc., largely through the efforts of a shrewd management, has practically year in and year out been able to make a much better showing earnings-wise than either the motion picture industry as a whole or other leading producers. Where other companies have only occasionally been able to strike "pay dirt" with an outstandingly successful feature release, Loew's has consistently had a number of highly profitable features each season. The company's recipe apparently has been to concentrate on quality pictures featuring the most popular acting stars. Moreover, the company has not been saddled with the burden of a large and costly chain of theaters. Last year was the best for the company since 1930—it's record year. Net of $14,426,062 was equal, after preferred dividends, to $8.47 a share for the 1,599,053 shares of common stock. Earnings for the current fiscal year which ended August 31, last, will probably fall about $2.50 a share under 1937. The combination of substantially heavier studio costs and the amortization of several expensive features coupled with declining theater attendance were the chief factors responsible for the drop in profits this year. These same factors may have a continuing adverse effect upon near-term earnings, but with costs being gradually brought into closer control, the time does not appear far distant when the company's profits will begin to show a promising turn for the better. Increasing employment and rising attendance should also be reflected in better earnings. On the other hand, the company derives a sizable proportion of its earnings from foreign distribution, and the disturbed political situation abroad together with the tendency of foreign countries to encourage the growth of motion picture production within their own borders, both by direct subsidy and restricting the American product by quotas, introduces a factor of uncertainty which may retard the shares marketwise even if the immediate effect upon earnings is not particularly apparent.

In an industry where wide fluctuations in earnings and, on occasion, sizable losses, are the rule rather than the exception, Inland Steel has a record which stands out in vivid contrast with that of practically every other leading steel company. The company is the second largest producer in the Chicago area, which area is the second largest in the steel industry. Output is well diversified and includes both heavy and light lines. Some measure of the company's productive efficiency is to be found in the fact that in 1937 Inland showed the largest earnings per ton of ingot capacity of any major steel producer. The company's net profit margin of 11.4% was the second largest in the industry. Net in 1937 of $12,665,317 was equal to $8.05 a share on 1,573,000 shares of capital stock. Although current earnings were sharply under the level of a year ago, the company's showing has been better than that for the steel industry as a whole. Net for the nine months to September 30, last, was equal to $2 a share, comparing with $8.02 in the same months last year. Earnings in the final quarter, however, promise to reverse the downward trend of the first nine months and prospects for next year have brightened perceptibly. Preceded by only $52,900,000 funded debt, the company's shares are one of the more dependable steel issues.

Minneapolis-Honeywell Regulator is another company, identified with a volatile industry, which has been able to register impressive resistance to the wide variations in earnings characteristic of the average manufacturer of building materials. The company is reputed to be the largest manufacturer of heat-regulating and temperature-control devices. A pioneer in this field, the company has never shown a loss throughout the forty years of its existence. Even in 1932, the company's total sales were still better than 50% of the 1929 level. Since then sales have pointed sharply upward and last year at $15,810,213 they set a new high record, for the third successive year. Despite heavier operating costs last year, resulting in a decline to $4.52 in per-share earnings from $4.77 in 1936, net profits were nearly 19% of sales, comparing with 23% in 1936. Incidentally, it might be noted that profits last year were equal to nearly 25% of the company's total assets.



(Please turn to page 227)

The Investment Clinic

Diversified Portfolio of Three Issues—Income Common Stocks with Moderate Appreciation Possibilities

Conducted by J. S. WILLIAMS

A High-Yielding Bond

Recently selling slightly under 100, the B. F. Goodrich 6 per cent debentures due 1945 afford a current yield of better than 6 per cent. Although having no specific mortgage security, the indenture under which the debentures were issued carries protection against the issuance of prior obligations and as a credit obligation of one of the top ranking rubber manufacturing units, the issue is entitled to a fair investment rating — not the highest grade but suitable for the individual seeking a better than average yield and not needing the maximum degree of security.

Originally outstanding in the amount of $30,000,000 the debentures have been gradually reduced through the operation of a sinking fund and at the end of last June, the amount issued totaled $19,054,200. Ahead of the debentures were $25,883,000 first mortgage bonds and subsidiary debt of less than $200,000. In relation to the company's properties, with a depreciated value of above $50,000,000, total funded debt is not large. Moreover, at the end of last June working capital of nearly $61,000,000 was larger than all funded indebtedness.

B. F. Goodrich is one of the leading manufacturers of automobile tires and tubes and is also the foremost manufacturer of mechanical rubber goods. Although the company's earnings have displayed the wide fluctuations characteristic of the rubber industry, even under the most adverse conditions there has never been cause to question the company's ability to meet interest charges without difficulty. Fixed charges were covered better than three and a half times in 1936 and in 1935 and 1934 coverage was better than twice. Last year, however, only 44 per cent of fixed charges were earned *after* an inventory adjustment of $5,652,935 necessary to give effect to the sharp drop in crude rubber prices last year. Before this adjustment charges were covered nearly three times.

In the first six months of the current year the company showed a loss of $209,551 after fixed charges. Since then, however, the outlook for the rubber industry has changed definitely for the better. Considerable progress has been made in reducing finished goods inventories; replacement demand, which has picked up briskly, promises to record further important gains in the months ahead; and original equipment sales are responding to the surprisingly good rate of automobile production. Moreover, the sharp recovery in crude rubber prices from their low earlier this year has removed the likelihood of costly inventory adjustments at the year-end. Giving weight to these combined factors, the probabilities are B. F. Goodrich will cover fixed charges and preferred dividends and show a small balance for the common stock.

The debentures are callable at 103½ until June 1, 1939, when the call price drops to 103. This year their price has ranged from a low of 78⅛ to 100¼.

Common Stocks for Income

For many investors the necessity of securing an adequate income from their holdings is a recurring problem. At this time it is particularly vexing. A marked falling off in the earnings of many companies in the first six months of this year necessitated the lowering or omission of common stock dividends, while on the other hand the improvement which has since taken place has not reflected itself fully in the upward revision and restoration of dividend payments. The more hopeful business outlook has, however, been reflected in a substantial recovery in common stock values with the result that most of the more popular issues and speculative favorites, if they do pay a dividend, yield only a low rate of return.

It is possible, however, through careful selection, to obtain a choice of common stock issues which would afford a satisfactory return and which, by virtue of their past record of earning power and dividend payments, may be regarded as fairly dependable income-producing mediums. A group of such issues is listed in the accompanying tabulation. It should be noted that the majority of these issues are not the so-called dynamic type. This is not to say that they are wholly devoid of possibilities of price appreciation in a general market upturn but for the most part they represent companies whose earnings are normally characterized by comparative stability. Minus the leverage of widely fluctuating earnings these issues do not have the same wide market swings as those identified with more volatile industries. In the normal course of events, however, all of these companies

can be counted upon to reflect in their earnings anything of benefit to business and industry as a whole. Several of these companies, under favorable conditions in the past, have paid generous extra dividends.

All in all, therefore, the investor who must place primary emphasis on income should be able to make a satisfactory selection among these issues, with a reasonable assurance of uninterrupted dividends plus a fair percentage of price appreciation over the coming months.

Adequate Diversification in Three Issues

Proper diversification is a cardinal investment principle; a necessary and effective safeguard. Frequently, however, investors are likely to make the mistake of carrying the theory of diversification too far, spreading their funds over a greater number of different issues than is really necessary. This practice may actually defeat its own purpose, by complicating the problem of adequate supervision.

As a practical example of what may be accomplished in the way of achieving adequate common stock diversification, through the comparatively simple expedient of placing funds in no more than three issues, a division of one's funds between the shares of General Electric, duPont and International Nickel would appear to have much to be said in its favor. Such a program would commend itself particularly to the individual whose investment capital is limited or comparatively small.

The shares of International Nickel, General Electric and duPont are three of the best known issues in the United States, if not the world. Together, these companies represent practically a complete cross-section of our national industrial structure. Each of these companies is the largest in its field; each has an impressive background of profitable operations; continuous progress through research has been their common denominator. Together, these three issues indirectly provide the investor with a stake in practically every major industry; they might be expected to provide an effective hedge against possible inflation; all three companies have been singularly successful in their relationships with labor and employees. Following are their analytical highlights:

Far and away the largest unit in its field, General Electric manufactures electrical equipment in scores of types and thousands of variations. No company has contributed more to the progress and application of electrical energy, through its ceaseless research activities and technological experiments. The company's products are to be found in every civilized country in the world; it would be difficult to name a single industry which did not use one, and probably many more GE products; and rare is the home wired for electricity in which there are no GE lamps and appliances. The company serves both the capital goods and consumer goods industries. Capital structure is simple, consisting solely of 28,845,927 shares of common stock. Total assets, conservatively stated, as is the company's practice, were in excess of $376,000,000 at the end of last year, while current assets, including cash items of some $47,500,000, totaled $167,753,722 and current liabilities were less than $38,000,000. Total sales last year were nearly $350,000,000. Despite the company's size and the broad scope of its activities, it has demonstrated unusual internal flexibility. Although sales declined sharply during the depression of the early '30's, profits were shown in every year and stockholders received a dividend. Since 1933, when the company earned the equivalent of 38 cents a share on its stock, earnings have displayed outstanding reviving power. Net last year was equal to $2.20 a share. Earnings this year will probably fall below $1 a share but the outlook for 1939 has brightened perceptibly, for all branches of the company's business. Dividends this year have totaled 90 cents. Price range for the shares this year has been 48 and 27¼.

Common Stocks for Income

Issue	Recent Price	Dividend	Yield
American Can	98	4.00	4.1
American Snuff	60	3.00*	5.0
Bristol-Myers	43	2.40	5.6
Commercial Investment Trust	59	4.00	6.7
Diamond Match	29	1.25	4.3
General Mills	69	3.00	4.3
Sterling Products	70	3.80	5.4
Sutherland Paper	30	1.60	5.3
United Fruit	60	3.00	5.0
Woolworth	51	2.40	4.7

* Plus extras.

The shares of International Nickel provide an equity in an enormous store—in the form of known reserves—of valuable metals. Nickel and copper are the most important, but the company's mines are also rich in gold, silver and platinum. This plus the fact that the company is a Canadian corporation lends considerable attraction to the shares as a hedge against possible inflation. Although nickel and copper are indispensable war materials, the company has adequately proven itself a successful peacetime organization, largely through its active research efforts. The commercial uses of nickel have steadily increased and International Nickel owns the largest source of supply. The company's fabricated products command wide distribution under the familiar trade name "Monel." Despite the notorious instability of mining company earnings, International Nickel showed no losses during the late depression years and by 1935 profits had surpassed the previous high level set in 1929. Net last year of $50,299,624 was the largest in the company's history and was equal after preferred dividends to $3.32 a share for the 14,584,025 shares of common stock. Despite the fact that current earnings have been adversely affected by decreased industrial consumption of copper and nickel, plus substantially lower average prices for copper, the company has been able to make a creditable showing. Net for the nine months to September 30, was equal to $1.56 a share for the common stock, comparing with $2.57 in the same months a year ago. Financial position is exceptionally strong. This year dividends have been paid at the rate of 50 cents quarterly and the shares have (*Please turn to page 227*)

Undiscounted Earnings and Prospects

Six Selected Issues in Favorable Position

BY STANLEY DEVLIN

Westinghouse Electric & Mfg. Co.

Ranked the third largest manufacturer of electrical equipment and appliances, Westinghouse Electric & Mfg. Co. is naturally sensitive to the varying trends of general business. It is, therefore, not surprising that in the first nine months of the current year, the company booked orders of only $113,170,228, as compared with $191,200,758 in the same period of 1937. Orders billed in the first nine months of the current year totaled $119,530,418, as contrasted with $154,839,997 a year ago. Unfilled orders at the end of last September amounted to $43,817,402, a decline of some $34,000,000 from the volume of business on hand in the same time of 1937. The volume of new business booked by the company in more recent months has shown some slight improvement, but more significant has been a distinct change for the better in the company's 1939 prospects. Of particular importance, is the possibility that the public utility industry may shortly revert to its former policy of making large scale expenditures for additional facilities. Uncertain of their future status under the Public Utility Act, and threatened with increasing government and municipal competition, the public utility industry has for some years drastically restricted capital expenditures. It is believed, however, that the government will adopt a more conciliatory attitude toward the industry, for the purpose of encouraging the public utility companies to enlarge their facilities as an important measure of national defense. Morover, indications are mounting that general business is headed for a period of sustained, although perhaps irregular, recovery. On this basis, sales, bookings and earnings of Westinghouse are expected to record substantial gains in the months ahead. This prospect would appear to be substantiated by the company's showing when business emerged from the depression of the earlier 30's.

In 1933 Westinghouse reported net sales of $6,431,592 and in that year operations resulted in a net loss of $8,636,841. In the following year, the company's volume of new business increased 47 per cent and sales were up 38 per cent, resulting in a modest profit—$189,563. A 30 per cent gain in sales in 1935 brought the total business volume up to $122,588,566, and a net profit of $11,983,881. The latter was equivalent to $4.50 a share on the combined preferred and common stock outstanding. Using these years as a yardstick, it appears reasonably certain that Westinghouse can be counted upon to share substantially in any change for the better in the general business picture.

In the first nine months of the current year, the company's net profit of $6,212,823 was equal to $2.31 a share on the 2,592,155 shares of common stock. This compares with $16,726,520, or $6.26 a share, on the combined preferred and common shares in the first nine months of 1937. For the full year, the probabilities are that the company will succeed in showing something over $3 for the common stock.

In relation to indicated earnings in the current year, the company's shares, recently quoted around 115, are obviously discounting an early and substantial improvement in earnings. In view, however, of the company's demonstrated ability to develop substantial earning power under reasonably favorable conditions, considerable justification can be found for this market optimism. Acquired with a view to holding over the next upward cycle in business, the shares of Westinghouse Electric & Mfg. Co. should prove a very profitable medium. In 1937 the shares sold as high as 167⅝ and the price range this year has been 124⅞ and 61¾. Dividends have been currently paid at the rate of 50 cents quarterly.

United Carbon Co.

United Carbon Co. is one of the two leading manufacturers of carbon black, an important industrial chemical. In the manufacture of carbon black, the production of natural gas is an important phase and the company has its own natural gas plants and pipe lines and owns and leases many thousands of acres of gas lands. While car-

bon black contributes about 60 per cent of total sales, as compared with 40 per cent for natural gas, it is believed that from the standpoint of profits, sales of natural gas account for nearly 50 per cent. Certainly in the current year, with carbon black prices at record lows, natural gas sales have been a timely factor in sustaining earnings.

Reflecting low prices and reduced sales volume, earnings of United Carbon for the nine months to September 30, totaled $1,143,906, compared with $1,917,108 in the corresponding months a year ago. Applied to the 397,885 shares of common stock, which represent the company's entire capitalization, these amounts were equal to $2.87 a share and $4.82 a share, respectively. Earnings for the full current year will probably be around $4 a share, which would compare with the record-breaking figure of $5.90 for all of 1937.

One of the principal consumers of carbon black is the rubber tire industry and the recent material increase in the production and sale of tires promises to be reflected in earnings of United Carbon. Moreover, beginning January 1st next, the company will have the benefit of higher carbon black prices. Aided by a modest capitalization, these factors promise to result in a substantial improvement in per-share earnings next year. With the assurance imparted by a strong financial condition, the company has been able to pursue a liberal dividend policy. Total payments this year amounted to $3.25 per share, while in 1937, the company paid $4.50.

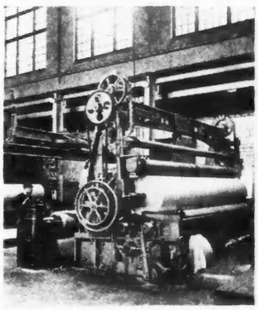
Affording a potentially liberal dividend yield and priced reasonably in relation to earnings, the shares of United Carbon invite favorable consideration both for income and longer term price appreciation. Price range this year has been 70¼ and 39, while in 1937, the shares sold as high as 91.

Greyhound Corp.

Through operating subsidiaries, Greyhound Corp.'s system of bus lines is nationwide in scope. In the case of several of these subsidiaries, ownership is shared with various leading railroads, an arrangement which has afforded important and mutual advantages. Although the company meets with fairly intensive competition, it has been able, through superior equipment, traveling conveniences, etc., to more than hold its own. In competition with railroads, the company offers a more economical mode of transportation, fares averaging about one-half cent a mile less than those charged by railroads. Following the recent increase of 25 per cent in passenger fares over eastern railroad lines, the company also increased fares, although maintaining a lower rate differential in its favor.

Currently, revenues of Greyhound's operating subsidiaries have been running at an average of about 10 per cent ahead of 1937. Due, however, to larger depreciation charges resulting from substantial additions to the company's motor equipment this year, increased revenues have been only slightly reflected in earnings. Net income for the first nine months of the current year totaled $4,315,774, compared with $4,121,187 in the same months of 1937. Net this year, after allowing for all charges and dividend requirements on 327,253 shares of 5½ per cent (par $10) preferred stock, amounted to $1.56 per share on 2,675,122 shares of common stock. Last year, in the first nine months, earnings were equal to $1.55 a share on 2,603,380 shares of common stock, after dividend requirements on 195,000 shares of 5½ per cent preferred stock. In the face of the generally unfavorable conditions which prevailed throughout the country during the greater part of this year, the company's showing may be regarded as exceptionally good. Traffic, revenues and earnings next year are likely to derive considerable impetus from increasing employment and larger purchasing power. Both the World's Fair and the San Francisco Fair, scheduled to open next year should result in substantially increased bus travel. Moreover, Greyhound Corp., plans to operate 100 buses within the New York World's Fair.

Dividends this year have been paid at the rate of 20 cents quarterly. A moderate increase is possible. Recent quotations for the shares around 19 compare with a current high of 21 and a low of 7¾, and at these levels the shares seem to possess interesting speculative possibilities among low-priced issues.



Union Bag & Paper Corp.

In recent years Union Bag & Paper Corp. has been engaged in an extensive expansion program, the results of which have been a substantial reduction in the company's operating costs and considerable strengthening in its competitive position. At the present time, the company is credited with producing about 20 per cent of the total domestic paper bag requirements. Other products include kraft paper and wrapping paper. About a year ago the third unit in the company's new mill in Savannah was completed, raising the production capacity for kraft board and paper to a level in excess of immediate needs. Thus, the company is no longer dependent upon outside sources for the paper and pulp utilized in the manufacture of its finshed products.

This year not only have paper bag prices been reduced more than 25 per cent from the average price of 1937, but they were 24 per cent below the average price of the last four years. Notwithstanding these handicaps, it was officially stated that the company's sales in the first nine months were 3 per cent ahead of 1937. Recently, prices have been advanced, but they are still substantially under those of a year ago.

For the twelve months ended September 30, last, the company reported earnings equal to $1,109,974, equal to $1.05 a share on the 1,052,000 shares of capital stock outstanding. This compared with $1.30 a share earned in the twelve-month period ended September 30, 1937. Earnings in the third quarter of this year were equal to 19 cents a share, comparing with 45 cents a share in the

September quarter a year ago, and 20 cents a share in the June quarter of this year.

The company has no funded debt or preferred stock, but at the close of 1937, bank loans and equipment notes aggregated $6,500,000. It was the management's intention to refund the latter obligation through the sale of $7,000,000 of debentures, but these plans have been deferred, apparently in anticipation of more favorable market conditions. Until this financing is out of the way, action on dividends may be deferred. With the likelihood that next year the company will be favored both by rising volume and higher prices, the shares, recently selling around 12½, may be credited with well defined speculative possibilities.

Lee Rubber & Tire Corp.

Although the company is one of the smaller units identified with the rubber and tire industry, Lee Rubber & Tire Company's earnings record has been substantially better than that of many of the larger units, particularly in recent years. Although the company's complete report for the fiscal year which ended October 31, last, has not been made public as yet, it is certain that earnings during this period were better than in the 1937 fiscal period. This is substantiated by the company's recent payment of a $2 dividend, bringing total payments for the current fiscal year to $2.50 a share, compared with $1.60 a share in 1937.

In addition to manufacturing automobile tires and tubes, the company also accounts for some 500 various mechanical and miscellaneous rubber items. About two-thirds of the company's average sales volume is represented by tires and tubes, although the constributions made to earnings by these items are not correspondingly as large, owing to the keen competition and narrow profit margins. The company confines its activities chiefly to the replacement field and distribution is on a national scale, chiefly through various oil chains.

In the fiscal year ended October 31, 1937, Lee reported earnings equal to $2.32 a share on the common stock and in the 1936 year earnings were equal to $2.20 a share. Most recent earnings statements covers the six months ended April 30, last, in which period earnings were equal to $1.23 a share, comparing with $1.83 a share in the same months of the previous year. This year, however, the company will not be forced to absorb costly inventory adjustments. Crude rubber prices have strengthened substantially during recent months, which, coupled with a rising demand, foreshadow earnings something in excess of $2.50 a share.

As usually happens in periods of general business unsettlement, reduced purchasing power and unemployment, a large deferred replacement demand for automobile tires and tubes has been built up. With general business prospects more favorable and public confidence again on the mend, it is reasonable to assume that this deferred demand will be translated into effective buying with increasing vigor over the months ahead. Recently quoted around 25, the shares are selling at less than ten times indicated earnings for the past fiscal year. In view of the company's better-than-average past record, there is no reason for believing other than that the improved prospect for the tire industry as a whole will be reflected in the company's earnings over the months ahead. If such proves to be the case, the shares would be entitled to reflect these gains marketwise and, on the whole, the the issue would seem to commend itself as an attractive speculative vehicle.

Holland Furnace Company

Holland Furnace Company is one of the few companies to distinguish itself this year by reporting larger earnings than a year ago in both the second and third quarters, as well as in the first nine months. While the company was aided in this achievement by the vigor with which building activity has been sustained this year, there is no gainsaying the fact that the current showing reflects no small measure of credit upon the management.

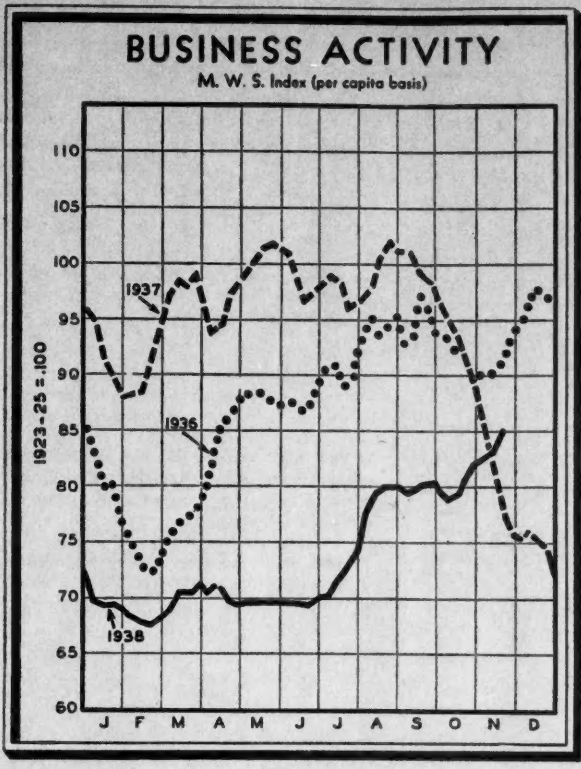
Long ranked as the world's largest manufacturer of warm-air furnaces, the company has in recent years expanded its lines to include air-conditioning equipment, oil burners, stokers and complementary lines. The company also operates a fleet of some 350 power-driven vacuum cleaning units, utilized to remove soot and dust from furnaces, chimneys, etc. While this activity in itself is not important, it has frequently paved the way for important sales contacts. This is particularly true, as the company, while standing to participate prominently in increased home building, depends chiefly upon the installation of its equipment in homes already constructed. The recent introduction of a furnace retailing for $58.50 should materially broaden the company's market.

For the three months ended September 30, last, net profit of $640,632 was equal, after all charges and preferred dividends, to $1.37 a share on 450,232 shares of common stock. This compares with $633,054, or $1.35 a share, on the common stock in the September quarter of last year. For the first nine months of this year net was equal to $1.53 a share, comparing with $1.43 a share in the same months a year ago. For all of 1937, net of $1,421,600 was equal to $2.90 a share, comparing with $2.89 a share on a smaller amount of stock in 1936.

Unfilled orders at the end of the third quarter were substantially ahead of those of a year ago and it would not be surprising if earnings for the full year were between $3.50 and $4.00 a share. The 1939 building prospect favors further gains in next year's net.

Capitalization is simple, with only 93,510 shares of $5 convertible preferred stock ahead of the common. Finances are exceptionally strong.

Paying and earning by a substantial margin a $2.00 annual dividend, the shares at recent levels around 48 yield better than 4 per cent. Moreover, the shares appear reasonably valued in relation to current earnings and on a potential earnings basis further important price appreciation would appear to be a reasonable expectation. Price range this year has been 52⅜ and 17.



CONCLUSIONS

INDUSTRY—Business better than last year.

TRADE—Retail sales volume above last year.

COMMODITIES—Raw materials generally firm. Wholesale prices steady.

MONEY AND CREDIT—Excess reserves and demand deposits rise to new levels.

The Business Analyst

Led by much greater than normal seasonal expansion in **Automobile Assemblies** and **Steel Mill Operations**, the Nation's **per capita** volume of **Business Activity** in the week of Nov. 19 expanded to around 85% of the 1923-5 average—a level 8% above last year at this time. In the week of Nov. 12 the figure was 83.3%. **Check Payments, Cotton Cloth Production, Electric Power Output** and the volume of **Money in Circulation** (the latter swollen by European hoarding of American Currency) have shown moderate increases during the past fortnight; but unseasonably warm weather still continues to hurt **Bituminous Coal Production**, and consequently **Carloadings**. There has also been some falling off in **Lumber Shipments**.

* * *

At 93% of the 1923-5 average, our index of general **Business Activity** for the month of October, without compensation for population growth, records a much smaller gain over September than the five-point jump in the comparable index of **Industrial Activity** compiled by the Federal Reserve Board, which is more heavily weighted with mining and other capital goods activities. This is because of recent weeks the consumers' goods field (to

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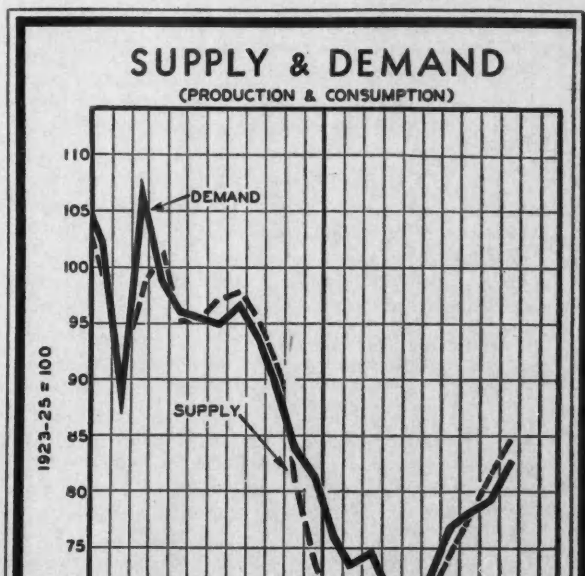


Business and Industry

	Date	Latest Month	Previous Month	Last Year
INDUSTRIAL PRODUCTION (b)				
World	Sept.	94.7	92.8	110.9
U. S. A. (ba)	Oct.	96	90	102
Canada	Sept.	102.5	94.1	108.2
United Kingdom	Sept.	110.3	109.2	121.0
Italy	Sept.	100.6	91.2	113.8
Germany	Aug.	129.7	127.6	120.5
WHOLESALE PRICES (h)	Oct.	77.6	78.3	85.4
COST OF LIVING (d)				
All Items	Oct.	85.8	85.9	89.5
Food	Oct.	79.8	80.4	86.7
Housing	Oct.	86.6	86.6	89.2
Clothing	Oct.	73.2	73.3	78.7
Fuel and Light	Oct.	85.6	85.0	85.4
Sundries	Oct.	96.8	96.8	97.9
Purchasing value of dollar	Oct.	116.6	116.4	111.7
NATIONAL INCOME (cm)†	Oct.	$5,654	$5,465	$6,034
CASH FARM INCOME†				
Farm Marketing	Oct.	$777	$720	$907
Including Gov't Payments	Oct.	839	747	912
Total, First 10 Months	Oct.	6,198	......	7,083
Prices Received by Farmers (ee)	Oct.	95	95	112
Prices Paid by Farmers (ee)	Oct.	121	121	128
Ratio: Prices Received to Prices Paid (ee)	Oct.	79	79	88
FACTORY EMPLOYMENT (f)				
Durable Goods	Oct.	79.0	75.3	106.6
Non-durable goods	Oct.	99.4	101.6	107.8
FACTORY PAYROLLS (f) (not adjusted)	Oct.	83.7	81.0	104.5
RETAIL TRADE				
Department Store Sales (f)	Oct.	83	86	93
Chain Store Sales (g)	Oct.	107.5	109.4	114.0
Variety Store Sales (g)	Oct.	113.2	115.0	121.0
Rural Retail Sales (j)	Oct.	115.5	114.5	131.3
Retail Prices (s) as of	Oct. 1	89.0	89.0	95.7
FOREIGN TRADE				
Merchandise Exports†	Oct.	$277.9	$246.4	$332.7
Cumulative year's total†	Oct.	2,573.0	......	2,711.1
Merchandise Imports†	Oct.	178.0	167.7	224.3
Cumulative year's total†	Oct.	1,612.9	......	2,652.0
RAILROAD EARNINGS				
Total Operating Revenues*	1st 9 ms.	$2,571,034	......	$3,174,642
Total Operating Expenditures*	1st 9 ms.	2,015,859	......	2,356,058
Taxes*	1st 9 ms.	255,626	......	249,224
Net Rwy. Operating Income*	1st 9 ms.	205,074	......	470,830
Operating Ratio %	1st 9 ms.	78.3	......	74.2
Rate of Return %	1st 9 ms.	1.10	......	2.54
BUILDING Contract Awards (k)				
Total†	Oct.	$357.7	$300.9	$202.1
Residential†	Oct.	112.7	99.6	65.5
Public Works and Utility†	Oct.	114.0	109.3	61.6
Non-Residential†	Oct.	131.0	92.0	75.0
Publicly Financed†	Oct.	203.4	160.1	77.8
Privately Financed†	Oct.	154.3	140.8	124.2
Building Permits (c)				
214 Cities†	Oct.	$77.0	$77.8	$60.7
New York City†	Oct.	20.1	24.0	30.0
Total U. S.†	Oct.	97.1	101.8	90.7
Engineering Contracts (En)†	Oct.	$235.9	$289.7	$187.0
CONSTRUCTION COST INDEX (En) 1913—100	Nov.	234.4	234.3	241.4

PRESENT POSITION AND OUTLOOK

which our index gives more adequate recognition) has been resting after its earlier swift rebound, while the heavy goods industries have been forging ahead. For September, our uncompensated index, at 92, was two points **ahead** ofthe Federal Reserve Board's index: in October it was two points **behind.**

* * *

Business sentiment has naturally been much cheered by election returns confirming the growing popular revulsion against New Deal excesses, and industrial recovery has already gained such momentum that there seems little danger of any substantial or lasting reversal in the near future from developments abroad or through any move for Government retrenchment that could find favor with next year's Congress—especially in view of the increasing conservatism of labor.

* * *

Though superabundant crops, adequate output of other industrial staples, sagging rates of foreign exchange and, in special situations, ratification of the British and Canadian reciprocal trade pacts all tend to depress **raw material prices,** comparisons with a year ago are becoming increasingly more favorable, owing to swift declines during the fourth quarter of 1937. Thus, at present writing, **raw material prices** average about the same as a year ago, while prices at both **wholesale** and **retail** are off about 7%. For the month of October, **department store sales** were 10% below last year—, with a like decline for 10 months, **rural sales,** though 16.5% ahead of September, were 12% below last year, against a 10-months' decline of 8.5%; **chain store sales** were off only 5.4%, compared with a 6.2% decrease for 10 months; while **variety store sales** dipped 3.5%, against a 10-months' recession of 6%. For the week ended November 12, **department store sales** were 6% ahead of last year on a unit quantity basis, and declined only 1% in dollar totals.

* * *

Railroad gross income for October was only 6% below last year, and November should make an even better comparison; since **carloadings** are now showing a much smaller seasonal decline than a year ago. The President's joint committee of rail management and rail labor is making good progress on a program for rehabilitating the carriers, and hopes to report by January.

* * *

A strong upsurge in building activities continues to fortify convictions that business has entered upon a period of sustained recovery. **Construction contracts** awarded during October in 37 States East of the Rockies were 75% ahead of last year, including a 95% jump in **residential** contracts. Total for 10 months is now ahead of like period last year. Informed observers believe that **residential building** next year will top this year by 50%.

	Date	Latest Month	Previous Month	Last Year
STEEL				
Ingot Production in tons★	Oct.	3,118	2,658	3,393
Pig Iron Production in tons★	Oct.	2,054	1,680	2,893
Shipments, U. S. Steel in tons★	Oct.	663	578	792
AUTOMOBILES				
Production				
Factory Sales	Oct.	209,522	83,534	329,876
Total 1st 10 Months	Oct.	1,728,851	......	4,122,685
Retail Sales				
Passenger Cars, U. S. (p)	Sept.	93,269	127,955	235,683
Trucks, U. S. (p)	Sept.	26,570	34,231	54,711
PAPER (Newsprint)				
Production, U. S. & Canada★ (tons)	Oct.	327.7	300.3	392.9
Shipments, U. S. & Canada★ (tons)	Oct.	327.3	304.7	394.8
Mill Stocks, U. S. & Canada★ (tons)	Oct.	214.9	214.5	214.5
LIQUOR (Whisky)				
Production, Gals.★	Oct.	8,119	4,997	7,874
Withdrawn, Gals.★	Oct.	8,173	5,837	8,104
Stocks, Gals.★	Oct.	466,376	468,480	449,919
GENERAL				
Machine Tool Orders (n)	Oct.	118.1	117.4	152.0
Railway Equipment Orders (Ry)				
Locomotive	Oct.	29	5	None
Freight Cars	Oct.	2,435	1,079	21
Passenger Cars	Oct.	None	11	None
Cigarette Production†	Oct.	13,264	14,711	13,892
Bituminous Coal Production★ (tons)	Oct.	34,900	32,276	40,833
Boot and Shoe Production Prs.★	Sept.	37,862	42,003	34,032
Portland Cement Shipments★	Oct.	12,357	11,716	11,190
COMMERCIAL FAILURES (c)	Oct.	997	866	815

PRESENT POSITION AND OUTLOOK

U. S. registration of new **passenger cars** during October is estimated at 120,000—about 40% below last year; but 22% ahead of September. Sales are still running ahad of production, which in turn exceeds last year by 15%, and some retail deliveries are being delayed up to five weeks. Current earnings of several manufacturers already top last year.

* * *

Whisky production for fiscal year ended June 30 amounted to 103,000,000 Gals., smallest since the year following repeal of the Eighteenth Amendment and less than 50% of the output for preceding fiscal year. On June 30, stocks of whiskey more than four years old amounted to 8,648,255 tax gallons, against only 1,846,181 a year earlier. In addition there were 35,358,081 gallons between three and four years old, against 13,880,214 last year.

* * *

North American output of **newsprint** during October was 16.7% below last year, against a 26.3% decline for ten months. Stocks at mills on October 31 were practically the same as a year earlier; but stocks held by publishers and in transit were about 35% below last year.

* * *

Machine tool orders in October were fractionally ahead of September, and only 32% below last year. October witnessed the fifth consecutive monthly increase in bookings.

WEEKLY INDICATORS

	Date	Latest Week	Previous Week	Year Ago
ELECTRIC POWER OUTPUT				
K.W.H.†	Nov. 19	2,270	2,209	2,224
CARLOADINGS				
Total	Nov. 19	657,477	633,710	644,927
Grain	Nov. 19	36,122	32,008	39,306
Coal	Nov. 19	133,647	128,069	128,562
Forest Products	Nov. 19	28,536	26,846	26,701
Manufacturing & Miscellaneous	Nov. 19	267,194	256,369	255,084
L. C. L. Mdse	Nov. 19	153,987	152,202	159,997
STEEL PRICES				
Pig Iron $ per ton (m)	Nov. 22	20.61	20.61	23.25
Scrap $ per ton (m)	Nov. 22	15.00	14.88	12.92
Finished c per lb. (m)	Nov. 22	2.286	2.286	2.512
STEEL OPERATIONS				
% of Capacity week ended (m)	Nov. 26	61.5	$62.5	32.0
CAPITAL GOODS ACTIVITY				
(m) week ended	Nov. 19	77.7	75.3	61.6
PETROLEUM				
Average Daily Production bbls.★	Nov. 19	3,255	3,243	3,574
Crude Runs to Stills Avge. bbls.★	Nov. 19	3,230	3,180	3,321
Total Gasoline Stocks bbls.★	Nov. 19	67,624	67,551	69,678
Gas and Fuel Oil Stocks bbls.★	Nov. 19	153,971	154,666	120,153
Crude—Mid-Cont. $ per bbl	Nov. 26	1.02	1.02	1.27
Crude—Pennsylvania $ per bbl	Nov. 26	1.68	1.68	2.35
Gasoline—Refinery $ per gal	Nov. 26	.06⅛	.06⅛	.07¼

PRESENT POSITION AND OUTLOOK

With **electric power output** now well above last year, and declining at a less than normal seasonal rate, a brighter day begins to dawn for the utility industry, obscured only by uncertainty as to how long the Government's truce will endure. Relative prospects for individual systems, however, can not be appraised accurately until more is known of their ultimate set-up after the present period of reshuffling subsidiaries.

* * *

Filling of orders for automotive steel booked at low prices during the brief price war is expected to sustain the **steel ingot** rate at or above its current level up to the year-end holidays. Production at the moment is ahead of sales; but expanding activity in the construction field, along with re-orders from motor car producers, should help to lift orders after the holidays. Last week's $7-a-ton reduction in tin plate prices holds only until March 31, and should stimulate production which was down recently to 25%.

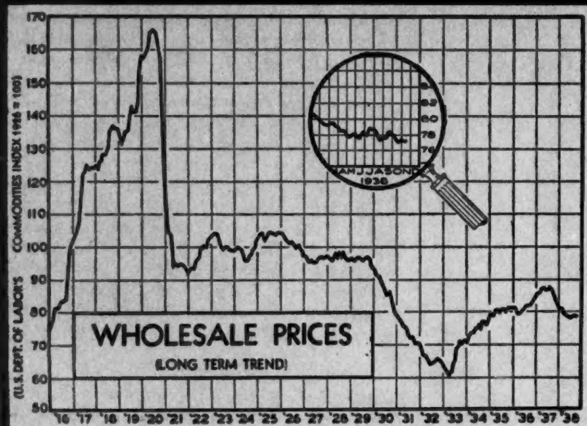
* * *

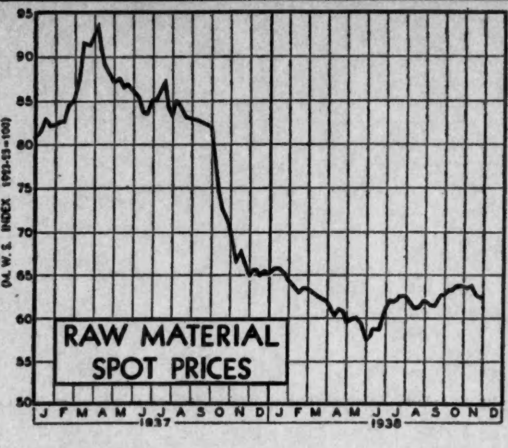
Lower prices for **crude oil** and **gasoline,** continued restrictions on output, and the necessity for year-end inventory write downs, render it probable that the industry's earnings for the current quarter will be somewhat less than for the third quarter.

†—Millions. ★—Thousands. (b)—Annalist Index 1928—100. (ba)—Federal Reserve 1923-25—100. (c)—Dun & Bradstreets. (cm)—Dept. of Commerce estimates of income paid out. (d)—Nat. Ind. Conf. Bd. 1923—100. (e)—Dept. of Agric., 1924-29—100. (ee)—Dept. of Agric., 1909-14—100. (f)—1923-25—100. (g)—Chain Store Age 1929-31—100. (h)—U.S.B.L.S. 1926—100. (j)—Adjusted—1929-31—100. (k)—F. W. Dodge Corp. (m)—Iron Age. (n)—1926—100. (pl)—Preliminary. (s)—Fairchild Index, Dec., 1930—100. (En)—Engineering News Record. (Ry)—Railway Age.

Trend of Commodities

Representative indexes of commodity prices show practically no change in the familiar week to week pattern of firmness throughout the list. This is particularly true of industrial raw materials, while, on the other hand, agricultural commodities have enjoyed only comparatively brief periods of strength, the severely unbalanced supply-demand factor in grains and cotton acting as a drag on prices. Nor is there any immediate prospect of a significant change for the better. Although industrial commodities for the most part continue firm, the recent weakness in copper prices, reduction in zinc and tin plate prices and the decline in hide and wool futures, serve notice that the prospect of better business alone is not sufficient to produce a one way price movement. Supplies both actual and potential should act to prevent runaway prices for some time. Buyers are under no urge to commit themselves beyond immediate requirements.





Changes in Major Commodity Price Groups for the Fortnight Ended November 19, 1938

Farm Products	67.8	up 0.6	Metals	95.0	down 0.3
Foods	73.9	up 1.0	Building Material	89.3	down 0.7
Hides and Leather	95.1	down 0.2	Chemical	76.4	down 0.1
Textiles	65.7	down 0.2	Housefurnishings	87.1	no change
Fuel and Lighting	74.9	down 0.3	Miscellaneous	72.5	up 0.1

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Year Ago
COTTON				
Price cents per pound, closing				
December	Nov. 26	8.69	8.59	7.97
March	Nov. 26	8.45	8.42	8.04
Spot	Nov. 26	9.04	8.97	8.22
(In bales 000's)				
Visible Supply, World	Nov. 25	9,857	9,921	8,681
Takings, World, wk. end	Nov. 25	372	378	448
Total Takings, season Aug. 1 to	Nov. 25	5,772	5,401	5,911
Consumption, U. S.	Oct.	543	534	524
Exports, wk. end	Nov. 25	79	138	122
Total Exports, season Aug. 1 to	Nov. 25	1,429	1,350	2,352
Government Crop Est	Nov. 1	12,137	12,212	18,946(e)
Active Spindles (000's)	Oct.	22,114	22,188	23,715
WHEAT				
Price cents per bu. Chi. closing				
December	Nov. 26	61⅜	63	90½
May	Nov. 26	64⅞	65¾	90⅛
Exports bu. (000's) since July 1 to	Nov. 19	75,379	71,419	53,263
Exports bu. (000's) wk. end	Nov. 19	3,960	4,173	3,502
Visible Supply bu. (000's) as of	Nov. 19	125,648	124,929	110,296
Gov't Crop Est. bu. (000's)	Nov. 1	940,229	937,000	873,993(e)
CORN				
Price cents per bu. Chi. closing				
December	Nov. 26	47⅝	46¾	53⅜
May	Nov. 26	51½	50⅛	56½
Exports bu. (000's) since July 1 to	Nov. 19	48,758	48,349	849
Visible Supply bu. (000's) as of	Nov. 19	42,355	38,560	19,621
Gov't Crop Est. bu. (000's)	Nov. 1	2,480,958	2,454,500	2,644,995(e)

PRESENT POSITION AND OUTLOOK

Cotton. Firm, although domestic mill takings continue to expand beyond the level of a year ago, the trend of exports remains disappointing. Thus far in the current season exports are running 40 per cent behind last year and unless there is shortly a marked reversal, exports this season may be the lowest in fifty years, and less than 50 per cent of even the low level of 1931-32. While the prospects favor continued firmness in domestic prices, there is nothing in sight to suggest any appreciable rise from prevailing levels. The question as to what the Government will do with its huge loan stocks remains unsolved.

* * *

Wheat. Statistics emphasize the unbalanced supply conditions in wheat. In a single recent week, visibles increased nearly 720,000 bushels, whereas a year ago in the same week they declined 4,500,000 bushels. Although exports are running ahead of last year, the margin of gain is narrowing. No immediate benefit is likely to be derived from the 6-cent reduction in British tariff on our wheat.

* * *

Corn. The visible supply of corn now stands at 42,355,000 bushels as compared with 19,621,000 a year ago and the previous peak level of 43,494,000 bushels. The domestic product is competing with Argentine corn in European markets, with supplies of the latter being sufficient for three months' requirements.

	Date	Latest Wk. or Mo.	Previous Wk. or Mo.	Year Ago
COPPER				
Price cents per lb.				
Domestic	Nov. 26	11¼	11¼	10¾-11
Export c. i. f.	Nov. 26	10.65	10.70	9.81
Refined Prod., Domestic (tons)	Oct.	56,824	45,808	86,811
Refined Del., Domestic (tons)	Oct.	69,827	53,637	44,592
Refined Stocks, Domestic (tons)	Oct.	267,299	293,080	181,842
Refined Prod., World (tons)	Oct.	167,225	153,865	196,359
Refined Del., World (tons)	Oct.	199,968	190,935	158,783
Refined Stocks, World (tons)	Oct.	424,311	457,454	383,164
TIN				
Price cents per lb., N. Y	Nov. 26	45.85	46.30	41.875
Tin Plate, price $ per box	Nov. 26	5.00	5.00	5.35
World Visible Supply†	Oct.	21,835	21,826	19,458
U. S. Deliveries†	Oct.	4,960	4,465	8,210
U. S. Visible Supply†	Oct. 31	4,500	4,573	3,280
LEAD				
Price cents per lb., N. Y	Nov. 26	5.10	5.10	5.0
U. S. Production (tons)	Oct.	31,843	27,508	49,197
U. S. Shipments (tons)	Oct.	45,726	39,026	39,292
Stocks (tons) U. S., as of	Oct.	117,476	131,476	100,646
ZINC				
Price cents per lb., St. Louis	Nov. 26	4.75	5.05	5.25
U. S. Production (tons)	Oct.	36,740	32,328	52,645
U. S. Shipments (tons)	Oct.	43,355	43,582	40,345
Stocks (tons) U. S., as of	Oct.	124,128	130,743	25,817
SILK				
Price $ per lb. Japan xx crack	Nov. 26	1.77-1.82	1.79-1.84	1.55-1.60
Mill Dels., U. S. (bales), season to	Oct. 31	145,572	......	137,330
Mill Deliveries U. S. (bales)	Oct.	35,631	38,844	36,002
Visible Stocks N. Y. (bales) as of	Oct. 31	43,811	40,711	40,834
Visible Stocks, World (bales) as of	Oct. 31	151,311	142,511	151,834
RAYON (Yarn)				
Price cents per lb	Nov. 26	51.0	51.0	63.0
Deliveries (a)	Oct.	677	874	368
All Rayon—Month's Supply	Oct.	1.8	1.8	1.1
WOOL				
Price cents per lb. territory fine	Nov. 26	71-73	71-73	83-85
HIDES				
Price cents per lb. hvy. native Chi	Nov. 26	15¾	14½	15½
Visible Stocks (000's) (b) as of	Sept. 30	13,270	13,311	14,663
No. of Mos. Supply as of	Sept. 30	7.0	7.6	7.7
RUBBER				
Price cents per lb	Nov. 26	16	16⅛	14¾
Imports, U. S.†	Oct.	34,496	37,374	52,508
Consumption, U. S.†	Oct.	38,754	37,823	38,754
Stocks U. S. as of	Oct. 31	269,937	276,586	200,025
Tire Production (000's)	Oct.	4,276	3,970	3,985
Tire Shipments (000's)	Oct.	4,285	3,943	3,951
Tire Inventory (000's) as of	Oct.	8,519	8,406	11,644
COFFEE				
Price cents per lb. (c)	Nov. 26	8-8⅜	8-8⅜	8½-9
Imports (bags 000's)	Oct.	1,077	1,168	......
Imports, season to	Oct. 31	4,446	......	3,146
U. S. Visible Supply (bags 000's)	Nov. 1	1,448	1,478	1,391
SUGAR				
Price cents per lb.				
Domestic No. 3 Jan.	Nov. 26	2.06	2.15	2.33
Duty free delivered	Nov. 26	3.00	3.05	3.33
Refined (Immediate Shipment)	Nov. 26	4.55	4.55	4.83
U. S. Deliveries (000's)°	1st 9 ms.	4,896	......	5,337
U. S. Stocks (000's)* as of	Sept. 30	1,170	......	732

PRESENT POSITION AND OUTLOOK

Copper. Uneasiness over the possibility of a reduction in domestic prices has been relieved by the prompt decision of the European copper cartel to reimpose production restrictions as of January 1. All restrictions had previously been removed. October statistics were regarded as being favorable on the whole, although the possibility of any early increase in domestic prices is obviated by the substantial increase in both domestic and European blister stocks.

* * *

Tin. The International Tin Committee has announced that present 45 per cent quotas will be retained for the first quarter of 1939; 35 per cent of standard tonnages for the market, 10 per cent for the buffer pool. The reduction in tin plate prices from $5.35 a base box to $5 was generally expected, in line with the previous lowering of other steel prices.

* * *

Lead. Stocks of pig lead declined 13,877 tons in October to the lowest level since last November. Shipments in October increased 6,700 tons and were the heaviest since September 1937. Production gained 4,335 tons over the previous month. The strong statistical position of the metal assures continued price firmness.

* * *

Zinc. The reduction in zinc prices, although coming at a time when nearly all of the metal markets were weak, was the result of a competitive necessity growing out of the lowering of the domestic tariff on zinc by $7 a ton. This tariff reduction was embodied in the British-Canadian-American trade treaties.

* * *

Silk. Lower prices have stimulated mill interest, reflecting itself in more active spot sales. Actual mill takings in November, however, owing to the three holidays may not be much if any in excess of October figures.

* * *

Rayon. Quoting from a recent bulletin of the Department of Commerce, "some further expansion in the use of rayon in the next few years is to be expected, but no such tremendous relative gains as those in the past are likely."

* * *

Wool. Futures have displayed some weakness but demand for woolen goods has picked up with the colder weather. Finished prices firm.

* * *

Hides. Despite the strong statistical position of hides, futures have declined, apparently under the weight of profit-taking. Boot and shoe production is rising and substantial spring orders are being booked.

* * *

Rubber. Tire shipments in October were the largest for any month since August last year. Production was up 7.7 per cent from the previous month and inventories increased 1.3 per cent but were still 27 per cent under the level of October 31, 1937. Crude rubber stocks doubtless contracted further during November.

* * *

Sugar. Refined prices have been lowered from the previous nominal level of 4.75 cents. Market is dull awaiting announcement by Secretary Wallace of 1939 quotas. Opinion as to whether they will be raised or lowered is about evenly divided.

(a)—Expressed in % (1923-25—100. (c)—Santos No. 4 N. Y. (e)—1937 Harvest. (f)—Refiners' stocks of raw and refined. †—Long tons. *—Short tons.

Money and Banking

	Date	Latest Week	Previous Week	Year Ago
INTEREST RATES				
Time Money (60-90 days)	Nov. 26	1¼%	1¼%	1¼%
Prime Commercial Paper	Nov. 26	⅝-1%	⅝-1-%	1%
Call Money	Nov. 26	1%	1%	1%
Re-discount Rate, N. Y.	Nov. 26	1%	1%	1%
CREDIT (millions of $)				
Bank Clearings (outside N. Y.)	Nov. 12	$1,863	$2,602	$2,249
Cumulative year's total	Nov. 12	102,925	......	119,510
Bank Clearings, N. Y.	Nov. 12	2,188	3,681	3,030
Cumulative year's total	Nov. 12	142,072	......	165,821
F. R. Member Banks				
Loans and Investments	Nov. 16	21,335	21,364	21,530
Commercial, Agr., Ind. Loans	Nov. 16	3,894	3,891	4,738
Brokers Loans	Nov. 16	715	717	865
Invest. in U. S. Govts	Nov. 16	8,140	8,141	7,974
Invest. in Govt. Gtd. Securities	Nov. 16	1,678	1,679	1,125
Other Securities	Nov. 16	3,194	3,217	2,899
Demand Deposits	Nov. 16	15,720	15,711	14,612
Time Deposits	Nov. 16	5,137	5,137	5,296
New York City Member Banks				
Total Loans and Invest	Nov. 23	7,681	7,736	7,833
Comm'l Ind. and Agr. Loans	Nov. 23	1,408	1,420	1,831
Brokers Loans	Nov. 23	568	576	718
Invest. U. S. Govts	Nov. 23	2,880	2,919	2,976
Invest. in Gov't Gtd. Securities	Nov. 23	804	798	378
Other Securities	Nov. 23	1,057	1,064	920
Demand Deposits	Nov. 23	6,747	6,621	5,841
Time Deposits	Nov. 23	599	601	742
Federal Reserve Banks				
Member Bank Reserve Balance	Nov. 23	8,818	8,727	6,949
Money in Circulation	Nov. 23	6,763	6,732	6,554
Gold Stock	Nov. 23	14,240	14,162	12,774
Treasury Currency	Nov. 23	2,767	2,756	2,619
Treasury Cash	Nov. 23	2,717	2,721	3,626
Excess Reserves	Nov. 23	3,350	3,260	1,138

		Latest Month	Last Month	Year Ago
NEW FINANCING (millions of $)				
Corporate	Oct.	$337.2	$110.0	$138.5
New Capital	Oct.	63.9	60.9	67.0
Refunding	Oct.	273.3	49.1	71.5

COMMENT

Climbing at an even faster rate than previously anticipated, excess reserves of all **member banks** in the latest reporting week increased $90,000,000 to the highest level ever reached. The latest figure of $3,350,000,000 is higher by $46,000,000 than the former peak attained in December, 1935. At this rate expectations that the $4,000,000,000 figure will be reached in the near future seem certain to have erred on the side of conservatism. The rapid and sizable increase in excess reserves stems chiefly from two factors—heavy gold shipments from abroad and large Treasury expenditures in furtherance of its pump priming program. Monetary gold stocks have been enlarged to the tune of $149,000,000 in the past two weeks, the largest gain since the European crisis which culminated in the Munich pact. Some measure of the size of recent Treasury expenditures is to be found in the fact that despite Treasury gold certificate deposits in the latest week totaling $89,500,000, the Treasury's balance with Reserve banks declined $70,000,000. Treasury disbursements resulted in raising demand deposits of **New York banks** to record levels. In the face of the continued rise in deposits and excess reserves, member banks' loans and investments are still declining. In the latest week, loans to commerce and industry were off $12,000,000, the sixth consecutive decline. In the same week investments dropped $40,000,000. However, if the indicated betterment in general business is realized, investments, if not loans to commerce and industry should shortly reverse the downward trend.

* * *

The outlook for new capital flotations is favorable. While recent offerings have dropped off moderately, the volume has been substantially ahead of last year at this time. Moreoever, known plans of numerous corporations foreshadow an increasing volume of new financing in the weeks immediately ahead.

POSITION OF FOREIGN BANKS

	Nov. 23, 1938	Nov. 24, 1937
BANK OF ENGLAND		
Circulation	£476,058,000	£480,374,000
Public Deposits	31,730,000	35,358,000
Private Deposits	127,219,000	119,946,000
Bankers Accounts	92,249,000	83,598,000
Other Accounts	34,970,000	36,348,000
Government Securities	91,801,000	76,153,000
Other Securities	33,312,000	29,469,000
Discount and Advances	12,184,000	8,601,000
Securities	21,128,000	20,868,000
Reserve Notes & Coin	51,623,000	67,487,000
Coin and Bullion	327,681,000	327,861,000
BANK OF FRANCE	Nov. 18, 1938	Nov. 19, 1937
Gold Holdings	Fr.87,264,000,000	Fr.58,932,000,000
Credit Balances Abroad	862,000,000	18,000,000
Bills on France	10,576,000,000	8,865,000,000
Wheat Office Bills	1,493,000,000	....
Advance Against Securities	3,971,000,000	3,814,000,000
Note Circulation	107,348,000,000	89,989,000,000
Credit Current Accounts	37,784,000,000	20,668,000,000
Temp. Advs. to State	20,627,000,000	26,918,000,000
Gold on Hand to Sight Liabilities	60.13%	53.26%

COMMENT

Although October trade figures still left something to be desired, sentiment in Great Britain is more hopeful. The signing of the British-American-Canadian trade treaties doubtless contributed to this attitude. On the favorable side is the recent upturn in iron and steel demand and the substantial gain in coal consumption. However, still lagging conspicuously behind last year are the automobile and construction industries. Uneasiness over the persistent decline in the pound sterling is having an adverse influence.

* * *

The political turmoil in France continues unabated. The drastic social and economic revisions which have been placed into effect are very unpopular with workers and the Left Wing political parties. Conservative opinions in France, as well as Great Britain and United States have lauded Daladier's efforts and the belief expressed in reliable quarters is that his program will be supported when parliament convenes December 13. Opposition will be strong but not sufficiently so to topple the Daladier government.

POSITION OF FOREIGN BANKS—Continued

GERMAN REICHSBANK	Nov. 23, 1938	Nov. 23, 1937
Gold and Bullion	Rm.70,773,000	Rm.70,253,000
Of Which Deposits Abroad	10,580,000	20,125,000
Reserve in Foreign Currency	6,217,000	5,863,000
Bills of Exchange & Checks	6,611,700,000	4,798,677,000
Investments	847,887,000	397,347,000
Other Assets	334,813,000	808,441,000
Notes in Circulation	6,992,896,000	4,644,700,000
Other Daily Matured Obligations	1,042,365,000	729,892,000
Other Liabilities	408,696,000	322,967,000
Proportion of Gold & Foreign Currency to Note Circulation	1.1%	1.63%

Doubts as to Germany's ability to avoid a serious financial collapse are mounting, particularly in London. The recent announcement of huge 1,500,000,000-mark loan took Germany financial interests by surprise, coming as it did closely on the heels of the large October loan. It is apparent that the costs of rearmament, public works and the Southeastern invasion have been much heavier than previously anticipated.

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BANK OF CANADA	Nov. 16, 1938	Nov. 17, 1937
Reserve Gold, Coin & Bullion	$181,539,000	$180,035,000
Silver Bullion	....	2,690,000
Reserve in Sterl. & U. S. Dollars	38,946,000	24,825,000
Subsidiary Coin	229,000	76,000
Dom. & Prov. Gov't Short Term Securities	164,359,000	99,672,000
Other Dom. & Prov. Securities	42,149,000	97,372,000
Other Securities	....	12,186,000
Note Circulation	176,375,000	159,727,000
Deposits—Dom. Gov't	23,841,000	25,861,000
Chartered Banks	219,678,000	221,865,000
Res. to Note & Dep. Liabilities	52.43%	50.75%

Canadian trade news has, on the whole, been favorable. Export trade in October gained more than seasonally and rose for the first time since last July. Carloadings recently dropped sharply, due chiefly, however, to a temporary decline in grain shipments. Retail trade is responding to the impetus of more seasonal weather. Canada stands to derive important gains from the recent trade treaty with the United States.

FOREIGN EXCHANGE IN DOLLAR TERMS

Quotations in cents and decimals of a cent except pound sterling which is in dollars and cents.	Demand		Cables	
Country and Par	Nov. 25	Year Ago	Nov. 25	Year Ago
Great Britain ($8.2397 a sov.)	4.63⅝	4.99½	4.63⅝	4.99½
Belgium (16.9502c a belga)	16.92	17.01¾	16.92	17.01¾
Czechoslovakia (3.51c a crown)	3.42¼	3.52¼	3.42¼	3.52¼
Denmark (45.374c a krone)	10.70	22.29½	20.70	22.29½
Finland (4.264c a finmark)	2.06	2.21¼	2.06	2.21¼
France (par not definite)	2.59½	3.39⅝	2.59½	3.39⅝
Germany (40.33c mark)**	40.06	40.34½	40.06	40.34½
Germany (benevolent mark)	20.10	.....	20.10	.....
Germany (travel mark)	22.60	25.00	22.60	25.00
Germany (emigrant mark)†	4.70	.....	4.70	.....
Germany (kredit mark)†	5.30	......	5.30	.....
Greece (2.197c a drachma)	0.85⅜	0.91⅝	0.85½	0.91¾
Holland (par not definite)	54.43	55.61	54.43	55.61
Hungary (29.613c a pengo) ¶	19.80	19.90	19.80	19.90
Italy (5.2634c a lira)§	5.26¼	5.26½	5.26¼	5.26½
Norway (45.374c a krone)	23.29½	25.09½	23.29½	25.09½
Poland (18.994c a zloty)	18.87	18.97	18.87	18.97
Rumania (1.012c a leu)	0.73	0.75	0.73	0.75
Sweden (45.374c a krona)	23.89	25.75½	23.89	25.75½
Switzerland (par not definite)	22.76¾	23.13½	22.76¾	23.13½
Yugoslavia (2.981c a dinar)	2.32	2.34½	2.32	2.34½
Shanghai dollars (unsettled)	16.06¼	29.60	16.06¼	29.60
Hongkong dollars (unsettled)	29.02	31.22	29.02	31.22
India (61.798c a rupee)	34.66	37.70	34.66	37.70
Japan (84.39c a yen)	27.05	29.11	27.05	29.11
Sts. Settlements (96.139c a dollar)	54.10	58.75	54.10	58.75
Argentina (71.87c a paper peso) ¶	22.60	29.44	22.60	29.44
Argentina (71.87c a paper peso)**	30.93	33.30	30.93	33.30
Brazil (20.25c a paper milreis)**	5.90	5.80	5.90	5.80
Chile (20.599c a gold peso)†	5.19	5.19	5.19	5.19
Colombia ($1.645 a gold peso)**	56.98	54.65	56.98	54.65
Mexico peso (unsettled)†	20.70	27.80	20.70	27.80
Peru (47.409c a sol)†	20.87½	24.87½	20.87½	24.87½
Uruguay ($1.751 a gold peso) ¶	38.00	52.00	38.00	52.00
Uruguay ($1.751 a gold peso)**†	61.04	79.45	61.04	79.45
Venezuela (32.67c a bolivar) ¶	31.50	29.75	31.50	29.75
Venezuela (32.67c a bolivar)**	31.63	31.62½	31.63	31.62½

COMMENT

The English pound has fallen almost to the point reached at the height of the September war scare, thus cancelling the rally which had been hoped to mark the end of currency troubles. Prominent among the causes of the persistent weakness is the rather widespread feeling that the pound will not be supported in a determined way until it hits the $4.50 level. Whether this has any basis in truth or not, the fact remains that England's import balance impels toward continual selling of her currency, while our own strength in this regard would be sufficient explanation of the appreciating dollar. There is the prospect, however, that the flow of goods in both directions between the two countries may be at a faster pace now that the trade treaties have been signed, and that the net effect may favor the pound.

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Illustrating the psychological difficulties of the times, the Swiss franc is independently strong, while the French franc represents the other end of the capital flight. Daladier has attempted heroic measures to brace France's financial position, but his opposition, particularly from labor, is stubborn enough to keep the outcome somewhat doubtful. Under any circumstances except the present, the sharp betterment in reserves and the lowering of the bank rate from 3% to 2½% could be accepted as marking a definite turn for the better. As it is, the situation has lost none of its hopeful aspects.

§—Travel lira, 4.75c. †—Nominal quotations. ¶—Free rate. **—Official rate.

Security Statistics

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

1937 Indexes High	1937 Indexes Low	No. of Issues (1925 Close—100)	1938 Indexes High	1938 Indexes Low	Nov. 12	Nov. 19	Nov. 26
122.0	54.3	330 COMBINED AVERAGE	77.8	44.2	77.2	71.0	69.7
253.3	111.4	5 Agricultural Implements..	133.9	88.5	126.4	117.3	113.3
72.6	34.0	6 Amusements..........	47.9	24.7	47.9h	45.5	42.6
146.6	52.1	16 Automobile Accessories	91.0	43.1	89.8	82.6	81.6
30.1	8.9	12 Automobiles..........	14.8	7.0	14.6	13.2	13.1
178.0	73.4	9 Aviation (1927 Cl.—100)	158.3	75.2	158.3h	153.2	158.0
28.5	9.3	3 Baking (1926 Cl.—100)..	16.1	8.9	15.2	14.3	13.4
308.6	135.4	3 Business Machines.......	203.3	120.2	194.9	183.9	181.4
247.7	132.6	9 Chemicals............	177.5	111.6	177.5h	167.3	162.7
88.3	32.9	18 Construction..........	50.2	25.6	50.2h	45.0	44.4
361.0	193.4	5 Containers............	246.2	173.8	246.2h	231.7	226.5
217.3	75.3	9 Copper & Brass........	129.6	60.0	125.5	114.0	111.0
43.0	24.5	2 Dairy Products.........	28.0	21.8	26.4	24.6	24.3
42.7	15.2	9 Department Stores.......	27.4	12.2	27.8h	24.8	24.1
108.8	45.2	9 Drugs & Toilet Articles...	65.5	40.1	65.5h	59.2	58.0
388.4	182.6	2 Finance Companies......	329.0	158.1	329.0h	304.1	311.1
71.9	37.5	7 Food Brands...........	79.2	33.3	78.8	75.8	71.7
53.2	25.9	4 Food Stores...........	35.3	20.5	35.3h	33.4	32.8
122.3	46.4	4 Furniture & Floor Covering	71.4	36.9	71.4h	64.7	64.7
1160.6	894.0	3 Gold Mining...........	1262.1	953.7	1198.1	1189.1	1222.8
58.6	25.8	6 Investment Trusts.......	32.1	21.1	32.0	29.5	26.8
317.8	167.2	4 Liquor (1932 Cl.—100)..	223.7	140.7	223.7h	209.1	204.2
209.8	97.8	9 Machinery............	138.0	77.6	138.0h	126.4	120.3
104.3	53.8	2 Mail Order...........	85.3	49.1	84.8	79.3	78.8
109.6	47.5	4 Meat Packing..........	56.5	36.5	53.6	50.1	48.3
334.1	138.6	15 Metals, non-Ferrous......	195.9	116.0	193.8	175.0	170.4
26.5	7.4	2 Paper...............	14.0	5.8	14.0h	12.3	11.9
158.8	90.8	23 Petroleum...........	113.0	76.2	103.5	96.8	96.4
114.9	50.5	18 Public Utilities.........	65.6	38.8	65.2	58.4	56.2
31.7	13.3	4 Radio (1927 Cl.—100)...	18.9	10.3	18.6	16.8	16.3
112.9	37.7	9 Railroad Equipment......	58.6	28.2	58.6h	52.4	50.4
48.6	16.2	23 Railroads...........	18.6	10.6	18.2	16.5	15.6
28.5	6.9	3 Realty...............	9.5	4.7	8.8	7.7	7.4
87.6	34.9	3 Shipbuilding...........	71.3	36.1	71.3h	69.0	68.0
165.6	69.6	13 Steel & Iron..........	106.5	55.2	106.5h	97.4	93.2
45.2	21.6	6 Sugar................	25.7	17.4	24.0	22.5	22.0
171.2	118.6	2 Sulphur..............	169.1	118.6	156.8	147.3	147.4
85.3	43.2	3 Telephone & Telegraph...	60.0	37.6	55.7	51.4	49.9
91.8	35.3	7 Textiles..............	49.7	27.9	45.5	45.0	44.1
29.2	10.7	4 Tires & Rubber.........	20.6	10.0	20.6h	18.7	18.4
99.4	68.3	4 Tobacco..............	86.1	63.8	86.1h	83.0	81.2
71.9	20.6	5 Traction..............	39.8	15.6	37.0	37.8	39.8h
346.8	157.7	4 Variety Stores..........	243.3	146.0	243.3h	224.0	221.3
.....	.....	22 Unclassified 1937 Cl.—100)................	135.8	84.7	135.8h	126.6	124.1

h—New HIGH this year.

DAILY INDEX OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times —50 Stocks— High	N. Y. Times —50 Stocks— Low	Sales
Monday, Nov. 14...	72.75	155.61	32.36	109.46	107.77	1,650,280
Tuesday, Nov. 15....	72.52	154.66	31.95	107.84	106.47	1,465,980
Wednesday, Nov. 16.	72.23	151.54	31.28	108.12	105.10	1,794,880
Thursday, Nov. 17...	72.29	152.78	31.75	106.44	105.22	904,580
Friday, Nov. 18.....	71.94	149.93	30.80	106.58	103.72	1,416,210
Saturday, Nov. 19...	72.00	150.38	30.94	104.74	104.14	437,080
Monday, Nov. 21...	71.94	150.26	30.77	104.70	103.48	942,020
Tuesday, Nov. 22....	71.84	149.56	30.53	104.29	103.40	880,030
Wednesday, Nov. 23.	71.70	149.88	30.42	105.07	103.55	1,003,370
Thursday, Nov. 24...			HOLIDAY			
Friday, Nov. 25.....	71.67	150.10	30.43	105.08	104.12	808,680
Saturday, Nov. 26...	71.52	148.45	29.89	104.05	103.19	687,020

STOCK MARKET VOLUME

Week Ended Nov. 26	Week Ended Nov. 19	Week Ended Nov. 12
4,321,120	7,760,010	8,043,093
Total Transactions	Same Date	Same Date
Year to Nov. 26	1937	1936
266,917,186	378,752,705	445,316,612

COMMENTS

In face of an accelerated pace of industrial recovery, the stock market turned reactionary during the fortnight ended Nov. 26. Such counter trends are by no means unusual and should not be construed as prophetic of a business recession unless the weakness in securities is of prolonged duration. From a purely technical viewpoint, this market setback was foreshadowed by the failure of our weekly index to confirm the new high made by our daily index of 40 industrial stocks during the week ended Nov. 12.

* * *

At the close of business on Nov. 26, our Combined Average of 330 active common stocks was fractionally under the level reached on Oct. 8. Thirteen of the Index's 43 component groups displayed technical strength through holding at higher levels than their Oct. 8 bench marks; 12 have been technically weaker than the market and declined to the lowest level since Sept. 24; while 18 groups, in declining to the same bench market as the Combined Average, revealed neither technical strength nor weakness.

* * *

In descending order of technical strength, groups which behaved better than the general market (with the strongest stocks in each group) were Tractions (I. R. T.), which advanced to the best level since Aug. 14, 1937; Aviation (Aviation Corp.), which rose against the market during the past fortnight to within 0.3 point of the year's high; Gold Mining (Dome Mines), which advanced against the market; Steel & Iron (Great Northern Ore); Drugs & Chemicals Lambert); Finance Cos. (Commercial Credit); Food Brands (Hecker Products); Food Stores (Safeway); Liquor (Am. Commercial Alcohol); Paper (Crown Zellerbach); R. R. Equipment (Westinghouse Air Brake); Shipbuilding (Electric Boat) and Variety Stores (Woolworth).

* * *

Groups conspicuously weaker than the market during the past fortnight were Agricultural Implements, Baking, Business Machines, Construction & Building Materials, Containers, Furniture & Floor Covering, Investment Trusts (due principally to the SEC's investigation of financial statements issued by Transamerica), Machinery (owing to disappointingly slow expansion in the rate at which new orders are being received), Radio, Sugar, Telephone & Telegraph (with exceptional weakness in Western Union in consequence of effects upon this Company of the new Wage and Hours law) and Tobacco.

* * *

It will be noted, as is often the case, stocks and groups which were conspicuously strong while the market was advancing were not uniformly resistant to profit-taking declines.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Standard Oil Co. of New Jersey

What is your attitude toward holding Standard Oil of New Jersey for income and price enhancement? I have 100 shares at 70. Will the resumption of the modernization program recently announced soon be reflected in increased earnings and cash dividend payments?—J. F. S., Newark, N. J.

Although Standard Oil of New Jersey has not published any reports for 1938, it is certain that current earnings will be less than the $5.64 a share reported for the year ended December 31, 1937. Factors responsible for the decline this year, despite well sustained consumption of oil products, were the lower prices of both crude and refined oil. Standard oil of N. J., the largest of all oil companies, has petroleum interests all over the world and as a result, is bound to participate in improved conditions no matter in what country this betterment obtains. The 1½% dividend in stock, plus the 50c regular semi-annual cash dividend, was recently paid in order to conserve cash for proposed expansion. Capital expenditures next year will total $195,000,000 and will materially improve the concern's position in the oil industry. In any event, Standard's ability to keep up with and often a few steps ahead of the field makes the shares one of the more attractive issues. We believe that retention of your holdings is justifiable in that a good rate of yield will continue to obtain as well as substantial appreciation possibilities.

International Nickel Co. of Canada, Ltd.

I own 100 shares of International Nickel which I purchased at 70. Is this stock likely to continue to sell at a very high price-earnings ratio so that only a moderate upturn in revenue will bring substantial price-appreciation? Is the $2 dividend secure?—T. B., Mobile, Ala.

Over the past two decades, the uses of nickel has grown in amazing strides. Previously, nickel was hardly more than a munition of war, while today this source of demand is negligible with regard to its peace-time uses. International Nickel controls approimately 85% of the world's supply of this metal and is therefore in a position to capitalize handsomely on the new outlets for its products. The far-flung business of the company has enabled them to escape any drastic effect of a depression although earnings have recently shown a decline. For the nine months ended September 30, 1938, a profit of $1.56 a share of common stock was recorded against $2.57 in the like interval a year earlier. This decline may be attributed to the fact that nickel enters into many fundamental manufacturing processes and thus cannot possibly escape the full effects of a recession. The declines in automotive production, manufacture of machine tools, the erection of new factories and decreasing purchasing power which has cut down buying of household appliances have all worked adversely against current profits. Profits will, however, fully cover the $2 dividend rate maintained by the company, thus assuring the investor of a high rate of yield on his capital investment. International Nickel is also interested in the production of copper. Last year, in order to sell 208,000,000 pounds of nickel, the company was obliged to dispose of 292,000,000 pounds of copper. Hence, the decline in the price of copper has also had an adverse effect on the company's earnings. While the United States is the most important single outlet for the company's products, demand from abroad must also be considered. In fact, it is because the European business has held up so well that the company's earnings have not been lower than recorded. Looking at the current picture, we are inclined to believe that the demand from United States will gradually improve while the rearmament

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programs abroad will gradually widen sales. In any event, to the longer term investor, the capital shares of International Nickel embody several outstanding features which make the stock well suited for longer term holding. Recently it was reported that directors were contemplating delisting the shares on the New York Stock Exchange, rather than disclose certain facts, such as officers' salaries, to the S E C. No official decision has been announced but with at least half of the company's stockholders in the U. S. it is certain that a move to delist the stock would be strenuously opposed.

South Porto Rico Sugar Co.

Would you advise me to retain 250 shares of South Porto Rico Sugar bought at 39½? I was disappointed with the reduction of dividends to 25 cents quarterly. What are the prospects for better earnings next year so that I may look for higher dividends and a rise in market value?—V. D., Seattle, Wash.

At current prices and in relation to the dividend of $1.75 per share paid so far the stock of South Porto Rico Sugar Co. affords its holders a yield of 8.4%. Thus, while the shares are hardly attractive for appreciation possibilities, they are logical for consideration in a longer term portfolio where income is of prime importance. Earnings for the year ended September 30, 1938, were equal to $1.12 per share on the common stock.

This does not compare very favorably with the $2.86 recorded for the preceding fiscal term. but is still a reasonably good performance when it is considered that the company had to contend with continued declines in sugar prices and higher costs through the larger part of the 1938 fiscal term. On the other hand, it might be remembered that the outlook for the sugar industry as a whole is not heartening. The indication that sugar prices will continue at a low point seems to indicate that profit margins for the majority of sugar companies will remain low for some time to come. It is anticipated, therefore, that even with the benefits to be derived from strict enforcement of the AAA quotas, that South Porto Rico Sugar's earnings will remain restricted for some time to come. It is therefore deemed advisable for you to liquidate a part of your commitment. As pointed out previously, the yield on the shares is attractive, but we believe that your large commitment tends to overbalance the rest of your portfolio. Released funds could quite readily be utilized in a more dynamic situation such as those which have been active in the recent general market improvement.

Minneapolis-Moline Power Implement Co.

Would you advise me to hold 200 Minneapolis-Moline common purchased at 15¼? Do you believe that curtailed farm purchasing power is only temporary and that by next Spring the company's profits will be up substantially? Do you know of any new plans to clear up arrearages on the preferred stock? —S. N. P., Chicago, Ill.

Minneapolis-Moline Power Implement does not publish interim reports, but declining sales indicate that profits for the fiscal year ended October 31, 1938, will be materially below the $1.49 per common share registered for the preceding fiscal term. Nor does it appear that material improvement is imminent. This may be attributed both to the decline in farmer purchasing power and seasonal influences. The company's best sales period, of course, occurs in the Spring. Although farm income is lower, it is believed that the farmer is now in a position to spend more money for farm implements. This is due to the fact that during the past few years, he has been able to reduce his indebtedness due to good crops and higher prices and can now concentrate on spending his income for farm improvements. As Minneapolis-Moline manufactures a complete line of agricultural implements and related farm machinery, it is in a good position to benefit substantially from any increase in demand. The shares, when considered from an immediate standpoint, are lacking both in speculative appeal and income attraction. As of November 15, 1938, cumulative arrears on the preferred amounted to $32.75 per share. Thus, the common issue will have to await settlement of these arrears which can be effected presumably only through a recapitalization plan of some sort. However, there is little likelihood that any plan can be evolved during the near future. However, if you are willing to assume a degree of risk, we can recommend retention of your commitment with the reasonable assurance that higher prices will prevail during early coming months.

Texas Pacific Coal & Oil Co.

Among our low priced shares for market profit are 200 Texas Pacific Coal & Oil that we bought at 15⅛. Is this oil producer entitled to a high rating as an issue of more than average promise? I read recently that earnings are now expanding, stimulated by gains from new wells.—C. A., Dallas, Texas.

Due to the rising trend of crude oil output, income for Texas Pacific Coal & Oil, now Texas Oil, has continued to register satisfactory improvement during the entire year of 1938. For the nine months ended September 30, 1938, a profit of 88 cents a share was recorded as against earnings of 81 cents sustained during the like interval of 1937. The 77 new wells which were completed last year materially improved the company's production facilities. Development activities have been continued on a satisfactory basis, and although they are subject to proration limitations, we can expect still further gains. On this basis, estimates place per share earnings at around $1.25 for the full year of 1938. Moreover, the balance sheet position of Texas Pacific is strong, thus justifying an expectation of continued liberal dividend payments. While the near term outlook points upward, the longer term future of the company depends upon developments in the crude oil industry generally. As this is naturally unpredictable, the shares must be given a speculative rating when considered from a longer term viewpoint. Nevertheless, the stock still contains a reasonable amount of speculative appeal and we can see no need to disturb your holdings at present low quotations.

U. S. Pipe & Foundry

Should I continue to hold 200 shares of U. S. Pipe & Foundry, purchased at 69? I understand that this year's earnings will be the largest in ten years. Do you think, however, that the present price of 48½, has already discounted the near-term prospects of the stock?—E. Y., Toledo, Ohio.

In view of the general business improvement, demand for cast iron pipe has increased for U. S. Pipe & Foundry since June and it is expected that final half year results will slightly exceed the $1.12 a share registered for the initial six months of the current year. To say, however, that full 1938 earnings will exceed $2.88 registered for 1930 is, in our estimation, a trifle over-optimistic. It is estimated, at this writing,

that full year profits will approximate $2.50 per common share. The future outlook for the concern is good. Municipalities which have received substantial Federal loans for public works construction are currently taking a great amount of the company's products and should the backlog of public works expenditures continue in 1939 as now expected, profits over the coming months should be substantial. Moreover, the company is benefiting from lower cost pig iron which will naturally offset the decline in prices for cast iron pipe. Government projects all over the country are expected to be the largest takers of the company's products during the near term future. Another consideration to be given to these shares is their excellent income possibilities. Over a long period of years, the company has maintained an unbroken dividend record. In view of the indicated earnings for the future there is no reason to believe that this record will be marred. This premise is further strengthened by the strong financial position maintained by U. S. Pipe (total current assets comparing with total current liabilities in the ratio of approximately 5 to 1 at the year-end). Possibly the price of the shares has taken into consideration the near term outlook but we still believe that the longer term future justifies retention of the shares for even further appreciation. Certainly, prices for the company's stock could "go along" with any general uptrend in the market.

New Jersey Zinc Company

Last year I bought 50 shares of New Jersey Zinc common at 88½ and was worried by my sizable paper loss. I understand, however, that the stock is now headed materially higher due to better metal prices and increasing royalties from foreign operations. What is your opinion?—J. B. B., Baltimore, Md.

Earnings of New Jersey Zinc Co. have not as yet begun to reflect the firming of lead and zinc prices. Profits for the third quarter ended September 30, 1938, were only 41 cents per share as compared with $1.11 sustained during the like quarter of 1937. For the nine months ended September 30, 1938, profits amounted to $1.03 as against $4.62 in the like interval a year earlier. Nevertheless, profit margins over the remainder of the year should widen not only because of better zinc prices, but also because of the satisfactory trend in industrial activity recently experienced. Sizable gains are anticipated because of a larger amount of incoming orders for products which go into galvanizing and paint as a result of the government's building program. New Jersey Zinc Company's operating rates have not been lowered materially this year, and thus the company stands in a good position to meet the revival in business without having to open idle plants and thus can govern costs satisfactorily. Moreover, during the business recession, large economies were effected and future profit margins should compare more favorably with those of the past. Foreign income is realized through royalties from licenses which the company grants. This source of revenue has held up well and is expected to continue over coming months. Confronted with large rearmament programs all over the world, the company can look forward to a highly profitable period. Dividends are not expected to be more than the $2 already paid on the 1,963,264 shares of common stock, but could easily be increased during 1939. We are inclined to look upon these shares as an excellent representative in the heavy industry field, and advise continued retention of your holdings for both income and price appreciation.

Underwood Elliott Fisher Co.

Was there any special reason for the severe drop in earnings reported by Underwood Elliott Fisher for the nine months ending September 30? Would you recommend holding 50 shares which cost me 90? What are the dividend prospects over the coming months?—W. B., Washington, D. C.

Customers of Underwood Elliot Fisher Co. cover such a wide range of businesses that the company was unable to avoid the effects of the recession which has prevailed during 1938. As a result, earnings of the concern dropped from $4.62 a share registered during the initial nine months of 1937 to $1.63 per share for the like period of 1938. Moreover, the recent uptrend in general business will not have an immediate effect upon the profits of Underwood. This is true because early improvement will probably be restricted to those items of the company's products which do not af-

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A. A. STICKLER
November 17, 1938 *Treasurer*

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ford a very wide profit margin. As the demand increases for the higher priced equipment, however, earnings of Underwood should quickly reflect the betterment. In any event, the recession in earnings seems only temporary. Need for office machines as a result of the demand for labor saving devices in government work such as Social Security and other programs have improved the longer range outlook for the concern. While the stock does not look cheap in relation to earnings, the high yield afforded and the prestige commanded justifies a constructive longer term outlook. So far this year, dividends of $2.50 a share have been paid. As full year profits will probably be in the neighborhood of $2.50 no further disbursement is anticipated. Nevertheless, we frankly believe that the shares represent a good speculation on further general business improvement and suggest full retention of your commitment.

Howe Sound

Are 100 shares of Howe Sound bought at 38⅛ definitely worth holding? I understand that the company's gold production is showing a tremendous increase and its earnings on non-ferrous metals are up considerably due to higher prices. What is the possibility of a year-end extra dividend?—A. F. M., Cleveland, Ohio.

Current gold production of Howe Sound is at a rate of 10,000 ounces quarterly (triple the previous rate) and gives rise to the belief that earnings for the last quarter should be materially improved over those of any quarter so far this year. Production of copper has also been speeded up and the rate is currently above that of last year. Although prices of metals mined by this company are well below 1937 levels, the recent firming in copper, lead and zinc quotations indicate that profit margins during the current half year will be materially improved over those of the first half. In any event, profits are already sufficient enough to cover the $3 annual dividend rate and a possible extra may be looked for at the year-end. Howe Sound is in a fortunate position in that the metals it mines cover all five of those included in the non-ferrous group. This enables the company to concentrate production and sales on the metal which is enjoying the best price and demand in the market. It has been through this medium that Howe Sound has reported such remarkable profits even through depression years. In looking back over the company's record, we find that only in one year has a deficit been reported and that dividends have been paid steadily since the year of 1923.

Capitalization is extremely simple, there being only one class of stock outstanding and no funded debt at all. This stock consists of only 473,791 shares of $5 par stock. Although Howe Sound is still heavily dependent upon Mexican operations, the increased importance of its Chelan Mine improves the longer term outlook. Given any rise in the general market, the subject shares could easily follow and thus retention of your commitment both for appreciation and income is considered logical.

U. S. Gypsum Beneficiary of Building Gains

(*Continued from page* 195)

a minimum of handling; and new processes and products offer further aid to overall profit margins. No business can show its capabilities without volume somewhere near its long-term normal, and since Gypsum has made its improvements, since it has spent millions on better facilities, there has as yet been no opportunity to operate sufficiently close to capacity so that maximum profit margins can be even estimated.

Quarterly earnings thus far in 1938 have been encouraging in trend: $0.46 per share in the first, $1.14 in the second, and $1.23 in the third quarter, passing the 1937 rate in the latest period. The total of $2.83 for the nine months compares with $3.73 in the same part of 1937, but with the fourth quarter a very poor one last year there is bound to be a highly favorable comparison when current profits are made known. In fact, the twelve months' figure may well approach or exceed slightly the $4.08 earned in all of 1937.

Among recent news items is one that the Government is looking into building supplies with an eye for monopolistic practices. Having decided that advertising need not be outlawed as yet, other projects are easily found to fill up the lag in activities. Whether anything will come of the scouting expedition and whether or not it will affect U. S. Gypsum in the slightest are questions impossible to answer, but the caliber of the men connected with the company has always been so high that barring differences of economic philosophy, which are always hard to predict, there would seem to be little reason to worry about the outcome as far as this company is concerned. Certainly there is enough and more than enough competition in the business.

As a vehicle by which to profit from the widely predicted building boom, then, U. S. Gypsum has many things in its favor. It is the leader type of issue, which is another reason for its selling on such a high price-earnings basis. It is in position and has shown a willingness to pay generous dividends in proportion to earnings. It offers a thorough coverage of the field, with a demonstrated ability to show excellent profits in booms and surprisingly good ones in slumps. Although volatile in its response to business prospects, it has earned respect during the last year for its relatively sturdy resistance to market declines. In short, the people who are willing to pay twenty-five or twenty-six times last year's earnings for this stock not only have a pretty good idea what they are doing but stand a good chance of seeing their optimism justified.

National Lead Co. Profits from Painters, Printers, Plumbers and Potters

(*Continued from page* 199)

tively, there would surely have been a profit, albeit small, in the final six months of last year.

Yet, while it is important that the prospective investor be familiar with a company's bookkeeping idiosyncrasies, its attitude towards its stockholders and the like, it is even more important that he correctly appraise the future course of the company's business and profits. In connection with the National Lead Co., it is known that the upturn in

automobile and other industrial activity has been beneficial, that paint sales this fall have been better than was anticipated earlier in the year and that the demand for the company's products from miscellaneous sources fully reflects what business improvement there has been so far. All the evidence points to further gains over a wide front and in these National Lead will share in the future as it has in the past.

The Investment Clinic

(*Continued from page 211*)

had a price range of 57⅝ and 36⅞. Recently it has been reported that the company might take steps to delist its shares on the N. Y. Stock Exchange, rather than supply the SEC with certain confidential information. It is to be hoped, however, that the company will forego any action which would jeopardize the interests of more than half of its stockholders, residing in the United States.

E. I. duPont de Nemours & Co. is the largest manufacturer of finished and semi-finished chemical products in the country. The vast sums which have been spent by the company have greatly broadened its scope with the result that its products are consumed in substantial quantities by such widely diversified industries as textile, chemical, automobile, paper, construction, petroleum, mining, iron and steel and agriculture. Moreover, a sizable proportion of the company's products are sold directly to the ultimate consumer, a condition which tends to impart a greater measure of stability to earning power. As the dominant factor in its field duPont may be credited with all the advantages which have come to be identified with the chemical industry — freedom from raw material problems, a low ratio of labor costs to the value of the finished product, and an exceptionally strong factor of potential growth. duPont also has a sizable investment in the common stock of General Motors, being roughly equivalent to one share of General Motors for each common share of duPont. This investment has yielded substantial dividends in the past, although in more recent years income from duPont's manufacturing

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operations has contributed the major portion of the company's earnings. With the exception of 1936, last year was the most profitable in the company's history. Net of $88,-031,943 was equal, after dividends on the preferred and debenture shares, to $7.25 a share on the company's 11,065,762 shares of common stock, comparing with $7.53 a share in 1936. In 1937 common dividends totaled $6.25 on the common stock. Earnings in the first nine months of the current year were off to the equivalent of $2.31 a share for the common, comparing with $5.33 a share a year ago. Dividends this year will total $3.25 a share. The shares have ranged between 151¾ and 90½ this year.

Leaders in Producing Profits

(*Continued from page 209*)

This year's earnings will be lower but the downward trend was arrested in the third quarter and with the benefit of the sustained heavy volume of residential building, pretty definitely in sight at this time, the company is in a position to register impressive gains from this point on. Net for the nine months to September 30, last, was equal after dividend on the 30,620 shares of 4% preferred stock, to $1.01 a share on the 621,900 shares of common stock.

In less than five years Philip Morris & Co., Ltd., has achieved what in 1933 would have seemed virtually impossible. The company has successfully challenged the leadership of the Big Four in the cigarette industry and is believed to have supplanted Lorillard's Old Gold brand in fourth place among the largest selling brands of cigarettes. Starting practically from scratch in 1933, and at a time when competition among leading manufacturers and ten-cent brands was even more intense than normally, the company's sales have since scored phenomenal gains without the aid of spectacular and costly promotional efforts. In the fiscal year ended March 31, last, net sales totaled $55,-613,034, comparing with $38,466,513 the previous year and $26,876,00 in the year ended March 31, 1936. In the most recent fiscal period profits registered a gain of 58% and net of $5,663,22, was equal to $10.91 a share on 519,151 shares of common stock, comparing with $6.88 a share in the preceding year. Last June the company issued 77,873 shares of 5% preferred stock, utilizing the proceeds to discharge bank loans and recently paid a 50% stock dividend to common shareholders. Previous to the stock dividend total cash dividends this year amounted to $6.75 a share. While the probabilities are against a continuation of the gain in sales and earnings at the same dynamic rate of the past three years, the company must be ranked among the leaders in its field.

It would be possible to go on at considerable length citing companies with outstanding achievements to their credit: International Business Machines Corp., which earned more in its lowest depression year, 1933, than it did in 1928 and is currently earning slight more per share than

last year when sales and profits established a new high record; Sutherland Paper, with sales and earnings attaining new high levels in each of the past three years; Best & Co., which has never shown a loss since 1924 and during the same period dividends have been paid without interruption. All of these companies have discovered and adhere to a highly successful formula in the conduct of their business. They have been indelibly stamped with the hallmark of success—a tangible measure of the investment quality of their securities.

Money Factors Point to Active Business

(*Continued from page* 192)

activity last February the currency in circulation was $6,334,000,000 or very slightly changed from the $6,399,000,000 figure of February, 1937, when business was very active. Unlike bank deposit money, we have no way of measuring the velocity of currency. A given $1 bill might figure in thirty commercial transactions this month, against twenty transactions last month, but for both months would have virtually the same relationship to total currency in use.

There has been considerable comment on the increase in currency circulation in recent months, and some inquiry as to whether this has any inflationary significance. The answer is that it is infinitely less inflationary than the expansion of bank deposit money. The increase from a year ago is approximately $203,000,000 or a bit over 3 per cent. There are several obvious causes for this rise. First, Federal W P A spending—going mainly to people without bank accounts—has been $372,000,000 larger in the fiscal year to date than it was a year ago and shows a year-to-year increase of $150,151,000 for the six weeks October 1 to November 15. Second, there has unquestionably been some hoarding of American currency by foreigners who have doubts about the longer value of various European currencies. Third, record high demand deposits influence some banks in keeping an enlarged amount of till money on hand. There is no way of measuring the precise influence of these three factors, especially the real extent of foreign hoarding of our currency.

The per capita increase in currency circulation from a year ago is about 75 cents. The per capita increase from the 1923-1925 period is $8.20 or about 19 per cent. The reasons for this long term change are: first, reduction in number of banks; second, discouragement of small deposit accounts by banks through service charges, etc.; third, the fact that only a portion of the large total of currency hoarded in the bank panic of 1933 ever returned to the banks, due to continuing distrust of banks by some former depositors and to carelessness or inertia by others.

There remain for consideration two additional series of financial statistics: the national income estimates and the monthly figures on total value of listed securities. We now have monthly estimates of total income payments from the Department of Commerce, both in dollar totals and a seasonally adjusted index. These figures lag well behind various more sensitive economic indicators and have no forecasting value but nevertheless are useful as the broadest of all measures of public purchasing power. The September index of income payments, latest figure available as this is written, was 83.3, as compared with depression low of 80.4 last May and high of 88.6 in August of 1937. It may be noted that national income in September was only 6 per cent under the highest level of 1937, while business activity for that month was 23 per cent under August, 1937, as measured by the Reserve Board's adjusted index. It could be reasoned from this relationship that production in September had not caught up with purchasing power, and it will very likely be found that November national income payments will be closer to the 1937 high than November production.

The value of listed stocks and bonds has an important psychological relationship to business activity, especially as affecting demand for luxury goods. It matters not that the change may be merely "on paper" for the majority of investors. Their securities may lie untouched in the box through bull or bear market, but they feel more confident and more willing to spend when values are going up. Business men more and more regard the market as a barometer, and both their sentiment and their commitments are definitely affected by its fluctuations. As a rule, business men really began to pull in their horns last year only when the stock market fell out of bed; and they paid no great heed to the Roosevelt pump-priming announcement last spring—which forecast the present cycle of credit inflation—until the market awakened to the new set of basic factors in June. Total values on the New York Stock Exchange are about $17,000,000,000 greater than at the end of last March, but are under 1937's highest level by approximately an equal amount.

Summing up, the total supply of money is bigger than ever before and all present indications point to further expansion. The rate at which people are spending money is quickening and will probably pass the year-ago level in a relatively short time. So far as the major economic cycle is concerned, the monetary-credit factors are giving us a weather signal which reads: "Generally Fair and Warmer."

More Trade with Latin America!

(*Continued from page* 188)

seem there ready to our hands if we demand that those from whom we buy, buy equally or buy more from us. Using these means is not so easy as it seems. In some cases these countries already buy from us as much or more than we buy from them. Our chief imports from these regions are coffee, tropical fruits and cacao, all entering free, and sugar, already paying high tariff charges. We could put high tariffs on these goods, to induce the producing countries to enter bilateral treaties giving us special position in their import markets. If we did so in some cases the producers might yield for after all their enthusiasm for new domestic industries, with which our exports would compete, is less than that for the maintenance of their staple exports.

But the countries we sought to have accept the exclusive agreements might not yield—for a num-

ber of reasons. First they would realize that the American proposal was in large degree an empty threat. The great tropical foodstuffs have become a part of the diet of the American family in even the remotest hamlets. Proposals to tax them would meet protests from within the United States to which tariff makers would not be deaf. Our case in the tropical areas is not comparable to that of Britain in Argentina and Uruguay. If Britain does not get its meats and grains in South America she can purchase in Canada, Australia or New Zealand—Dominion areas. The cost might be increased somewhat but at least nationalist ends would be served. We stand in no similar position in our imports of tropical products.

Further, a large part of our non-foodstuff imports from Latin America we give low rates because we want them as cheaply as possible for our industries. These latter would not be slow to protest against proposals to put higher tariffs upon the materials which let them supply domestic and foreign markets.

But assume the threat to raise our tariffs was sufficient to force yielding of lower tariff rates by a state of tropical America, would it bring an important gain to us? *We already sell to them so high a percentage of their imports in the goods we are in a position to export that the advantage might be less than we expect.*

There remains the possibility that the country in question might *not* yield and the higher American tariff would be enforced against it. The resulting cutting down of its exports might undermine its economic stability. Its prosperity would decline, its balance of payments be further upset. The companies which produce the exports, largely American, would not prosper. The government's ability to service its foreign debts would diminish. All foreign investments in its borders would thus be affected. These, it is well to remember, are by no means a minor American interest. Portfolio investments by Americans in Latin America—in current years already in weak position—totaled as of December 31, 1936, some $1,520,000,000 in areas southward. Direct investments, chiefly in foodstuff and raw material enterprises, mines and public utilities, were worth $3,410,000,000. The interests which these investments represent cannot prosper if countries in which they lie do not.

All things considered, our conclusion must be that American trade policy southward meets difficult conditions which it can modify only in small degree unless the nations of the new world are willing to go much farther than they yet have gone to secure American economic interdependence and solidarity.

The reciprocity agreements with Latin American states have not brought the results which the most ardent of their friends had hoped. For the present at least they do not promise great new accomplishments. But conditions do not counsel reversal of the commercial program nor abandonment of the most favored nation feature in our Latin American economic relations.

Neither the treaties we have made with our neighbors, nor any others we may make, will bring about great advance until the countries of the new world are ready to turn back to a more general acceptance of the belief that greater profits are found in trading in greater markets and that the greatest market in the world is the world market.

How that belief can be encouraged and action upon it be secured should be one of the major subjects for discussion in the conferences at Lima. If real advance in inter-American commerce is to be made it is clear that the Hull program needs amendment or supplement by measures which will cut deeper into the restrictions which still limit the exchanges.

If that end is to be achieved all parties must go farther than to merely recognize that greater interdependence is desirable if the states of the new world are to achieve full development of their natural endowments and to win that freedom from non-American political influences which would follow. They must be willing to work for the abandonment of the exchange controls which now perhaps even more than tariffs interfere with the normal flow of goods. They must cut down the quotas which hold it to maximum quantities in the lines to which they apply. They must be ready to limit their own nationalistic programs by accepting greater imports from each other—imports which alone can be made as payment for the exports they are so anxious to increase.

DIVIDENDS

UNION CARBIDE AND CARBON CORPORATION

▼

A cash dividend of Forty cents (40c) per share on the outstanding capital stock of this Corporation has been declared, payable January 2, 1939, to stockholders of record at the close of business December 2, 1938.

ROBERT W. WHITE, Treasurer

THE ELECTRIC STORAGE BATTERY CO.

Exide BATTERIES

The Directors have declared from the Accumulated Surplus of the Company a final dividend for the year 1938 of Fifty Cents ($.50) per share on the Common Stock and the Preferred Stock, payable December 21, 1938, to stockholders of record of both of these classes of stock at the close of business on December 1, 1938. Checks will be mailed.

H. C. ALLAN, *Secretary.*

Philadelphia, November 18, 1938.

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

November 18th, 1938.

THE Board of Directors on November 16th, 1938 declared a regular dividend of 50c and an extra dividend of 50c per share on the Common Stock of this Company, payable December 31st, 1938 to stockholders of record at the close of business on December 13th, 1938. Checks will be mailed.

DAVID BERNSTEIN
Vice-President & Treasurer

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share on the Company's capital stock, payable December 15, 1938, to stockholders of record at the close of business, December 2, 1938.

H. F. J. KNOBLOCH, Treasurer.

ANACONDA COPPER MINING CO.
25 Broadway
New York, N. Y., November 23, 1938.
DIVIDEND NO. 122

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Twenty-five Cents (25c) per share upon its Capital Stock of the par value of $50 per share, payable December 22, 1938, to holders of such shares of record at the close of business at 3 o'clock P. M., on December 6, 1938.

D. B. HENNESSY, Secretary.

UNITED CARBON CO.

DIVIDEND NOTICE

A dividend of 75 cents per share has been declared on the Common Stock of said Company, payable December 20th, 1938, to stockholders of record at three o'clock p. m. December 2nd, 1938.

C. H. McHENRY, Secretary.

THE BELL TELEPHONE COMPANY OF CANADA

NOTICE OF DIVIDEND

A dividend of Two Per Cent (2%) has been declared payable on the 16th day of January, 1939, to shareholders of record at the close of business on the 23rd of December, 1938.

F. G. WEBBER, Secretary.

Montreal, November 23, 1938.

Newmont Mining Corporation

Dividend No. 41

A dividend of One dollar and Fifty cents per share has been declared on the capital stock of Newmont Mining Corporation, payable December 15, 1938, to stockholders of record at the close of business November 28, 1938.

H. E. DODGE, *Secretary.*

New Markets Unfold for Glass Companies

(*Continued from page* 203)

are expected to be held by the O'Mahoney committee in December. Glass is one of the focal points in the government's drive against monopoly. If the investigation follows the trend of earlier probings it will be directed against three main charges: (1) That patent owners, particularly of bottle patents, seek to control prices and markets by granting or withholding licensing agreements to other manufacturers. (2) That collusion results through stock ownership and inter-corporate relationships between glass makers and distillers. (3) That the industry violates the Robinson-Patman act by discriminating against purchasers located at different delivery points and by favoring volume purchasers.

The net result of the anti-monopoly investigation may be to depress somewhat the market price of the companies affected, particularly as the adverse publicity may come at a time when tax selling is making itself felt in the market. Nevertheless, it is doubted that the favorable long-term earning prospect of the industry will be materially altered.

In any industry it frequently happens that when a company expands and adds new lines the major profits continue from the original line on which the company reached prominence. Hazel-Atlas, famed for the time-honored Mason jar, is perhaps the steadiest earner in the group. For those seeking stability, a fair yield, and gradually rising earning power, Hazel-Atlas is perhaps the better medium.

Owens-Illinois is the more forward-looking of the container companies, having completed a $30,000,000 plant expansion in the past two years. For those seeking excellent earning power and a stake in expanding markets for textile glass, Owens-Illinois offers possibilities.

Pittsburgh Plate Glass besides being the largest plate manufacturer is also an important producer of paint. Construction prospects are the best in several years and are likely to continue. As a direct beneficiary of renewed building activity Pittsburgh Plate has promise.

Libbey - Owens - Ford, the other large flat glass producer, like Owens-Illinois has been aggressively expanding its markets. The rapidly rising automobile production means better prospects for Libbey-Owens-Ford for the company produces most of the safety glass used in motor cars. With a stake in two rapidly rising activities, Libbey-Owens-Ford has considerable appeal.

As the Trader Sees Today's Market

(*Continued from page* 201)

type should furnish better comparisons. The largest group gain has been in the motors, with each of the three stocks more than doubling. The most consistent performers both in making gains and in holding them have been the building stocks. Yet, as we have seen, consistency is a virtue for which the trader, as distinguished from the investor, can pay too high a price.

As I See It!

(*Continued from page* 179)

On the other hand, Germany, as a result of the brutality of her recent attack on the Jews and the clear evidence that she is deliberately and frankly looting helpless people—and the certainty that the Catholics are next, to be followed by any group or individuals that have means or property—has terrified nationals all over the world. But, this time, these people are no longer numbed by their fears, but militant and ready to fight rather than submit to Nazi control.

It is this fear which has taken hold in South America where both the Nazis and Italians were strongly entrenched, and which has brought the United States into the picture.

The effect of these newly created apprehensions may be a very serious one for Germany; one which even Mr. Chamberlain was obliged to recognize; and to which Italy must also give heed.

Thus, this ever changing situation makes it difficult for Mussolini to know exactly what the outcome will be for him, and for Italy.

Prices and Industrial Profits

(*Continued from page* 183)

spread between prices of its finished goods and costs of materials. As long as any part of this double advantage is retained, earnings—assuming adequate volume—should be relatively favorable, although they cannot during the forepart of 1939 come anywhere near the 1937 level due to probable difference of 12 or 15% in volume as compared with 1937.

Industries which made heavy 1936-1937 expenditures on new producing facilities—notably steel, motors, paper and chemicals—will have the added advantage of a substantial gain in operating efficiency.

There are, of course, wide variations from industry to industry in the relationship between labor cost and total operating costs, as well as in relationship between total cost and cost of materials. As a general rule, costs of materials substantially exceeds labor cost, often by more than two to one. In the case of highly efficient corporations, despite changing price levels and radical uptrend in wage *rates*, a surprisingly small fluctuation is shown in the ratio between payroll and total sales. For example, payroll of General Motors in 1929 was 25.8% of dollar sales total. In 1935, reflecting low volume, it was 28.3% and in 1936 it was 26.6 or but a trifle higher than in 1929. Meanwhile there had been a huge increase in wage rates and a substantial increase in unit labor costs—both sufficiently offset by increased efficiency to permit 1936 profit of 16.5% on sales against 16.4% in 1929.

Looking ahead three to six months, the biggest question in the profit outlook—and nobody can answer this one—is how far the present *softening* trend of finished goods prices will go and how far the present *rising* trend of unit labor costs will go, for the latter index made its depression low last summer and has been creeping up recently. The one certainty is that development of another "sellers' market" is out of the picture. It will be a scramble for business, probably with at least fairly good profits for efficient enterprises—and excellent profits as compared with anything reported to date this year.

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